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RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

Concerning an Alleged Combine in the Manufacture,
Distribution and Sale of Asphalt and Tar
Roofings and Related Products
in Canada

8

DEPARTMENT OF JUSTICE
OTTAWA

8

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1955.

RESTRICTIVE TRADE PRACTICES COMMISSION

R E P O R T

CONCERNING AN ALLEGED COMBINE IN THE
MANUFACTURE, DISTRIBUTION AND SALE
OF ASPHALT AND TAR ROOFINGS
AND RELATED PRODUCTS
IN CANADA

COMBINES INVESTIGATION ACT

Ottawa
1955

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RESTRICTIVE TRADE PRACTICES COMMISSION

C. Rhodes Smith, Q. C., M.A., LL.B., B.C.L.
Chairman

Guy Roberge, B.A., LL.B.
Member

A. S. Whiteley, B.A., M.A.
Member

RESTRICTIVE TRADE PRACTICES COMMISSION
Ottawa

August 29, 1955.

Honourable Stuart S. Carson, Q.C.,
Minister of Justice,
Ottawa, Ontario.

Sir:

I have the honour to submit to you herewith the report of the Restrictive Trade Practices Commission dealing with an alleged combine in the manufacture, distribution and sale of asphalt and tar roofings and related products.

The matter was brought before the Commission by the submission of a statement of the evidence obtained in the inquiry by the Director of Investigation and Research under the Combines Investigation Act and has been dealt with in accordance with the provisions of Sections 18 and 19 of the Act.

Evidence and argument in regard to the Statement of Evidence were heard by the Commission in proceedings at Ottawa before the Chairman and Mr. A. S. Whiteley between November 8, 1954 and November 16, 1954, when Mr. F. N. MacLeod appeared on behalf of the Director of Investigation and Research, assisted by Mr. T. V. S. Wiggins of the Director's staff, and Messrs. André Forget, Q.C., Hazen Hansard, Q.C., J. F. Chisholm, Q.C., Beverley Matthews, Q.C., J. J. Robinette, Q.C., Peter White, Q.C., J. H. C. Clarry, C. B. Mahin, J. F. Reesor, E. K. McDougall and R. A. Patch appeared on behalf of the parties mentioned in the Statement of Evidence, except for one individual who appeared in person.

As the argument in this matter was heard before Mr. Guy Roberge became a member of the Commission, he has taken no part in the preparation of this report.

Yours faithfully,

(Sgd.) C. R. Smith
Chairman

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CHAPTER I

INTRODUCTION

1. Reference to the Commission

This inquiry was brought before the Restrictive Trade Practices Commission under Section 18 of the Combines Investigation Act, R.S.C. 1952, Chapter 314, which reads as follows:

- "18. (1) At any stage of an inquiry,
- (a) the Director may, if he is of the opinion that the evidence obtained discloses a situation contrary to section 32 or 34 of this Act, or section 411 or 412 of the Criminal Code, and
 - (b) the Director shall, if so required by the Minister, prepare a statement of the evidence obtained in the inquiry, which shall be submitted to the Commission and to each person against whom an allegation is made therein.
- (2) Upon receipt of the statement referred to in subsection (1), the Commission shall fix a place, time and date at which argument in support of such statement may be submitted by or on behalf of the Director, and at which such persons against whom an allegation has been made in such statement shall be allowed full opportunity to be heard in person or by counsel.
- (3) The Commission shall, in accordance with this Act, consider the statement submitted by the Director under subsection (1) together with such further or other evidence or material as the Commission considers advisable.
- (4) No report shall be made by the Commission under section 19 or 22 against any person unless such person has been allowed full opportunity to be heard as provided in subsection (2)."

The Director of Investigation and Research under the Combines Investigation Act submitted to the Restrictive Trade Practices Commission a Statement of Evidence, dated May 28, 1954, which contained the following general allegations:

- (a) That the principal manufacturers in Canada of asphalt and tar roofings have by actual and tacit agreement substantially prevented or lessened competition in the

manufacture, distribution and sale of asphalt and tar roofings and related products throughout Canada to the detriment of the public.

- (b) That the most important heads of agreement among the manufacturers consisted of:
 - (1) Agreement on a common Merchandising Plan and more particularly on the provisions which constitute the gist of the Plan - generally speaking, quantity rebates in Districts #1 and #2 and prices on a functional basis (supplemented by quantity rebates on a minor scale) in Districts #3 and #4.
 - (2) Agreement relating to transportation charges both as embodied in the Plan and in supplementary documents.
 - (3) Agreement in relation to prices.
- (c) A comparison of the price lists of the manufacturers indicates that prices for comparable products have been substantially identical over the period (back to about the first of 1947) for which detailed information is available. There have been occasional instances of minor differences but these do not appear significant. This conclusion is reinforced by the oral evidence. It appeared to be common ground, on the hearings, that prices were identical. Generally speaking, the pattern of price changes by the various manufacturers has been that the prices of all manufacturers have been identical and have changed by identical amounts within a short period to a new common level on the occasion of each price change.
- (d) The evidence indicates that there was a clear understanding among the manufacturers that new products would not be introduced without discussions.
- (e) In addition to the steps taken to limit development of new lines, the manufacturers took active steps to standardize existing lines and even to eliminate some entirely. During the war production and variety of lines were severely limited by shortages of material and other factors. Since the war the manufacturers have by agreement restricted the number of products produced and in some cases agreed to stop producing products then being produced. The usual reasons advanced for stopping the production of an item were either that the product was a poor one or that there was no public demand for it. These reasons do not afford a complete explanation. In the case of cheap lines, there is evidence

that part of the motivation was the fact that if these lines were not available the purchaser would be forced to take more expensive ones. As to alleged lack of demand, this also does not appear to be supported by the evidence.

- (f) The manufacturers consistently sought to support whole-sale and mail order prices and, in some cases at least, dealer prices.
- (g) The evidence shows that there was agreement among the manufacturers as to the distributive channels which would be used. This was particularly true in Districts #3 and #4 where lists were maintained as part of the Merchandising Plan. It seems a fair inference that the purpose of listing firms was so that the addition of a firm could be discussed and representations made if a manufacturer objected to another manufacturer selling to that particular firm. In the East no lists have been maintained and discussions seem to be limited to cases of alleged price-cutting distributors.
- (h) The evidence in regard to seconds discloses the same pattern of agreement designed to eliminate competition as is found throughout the industry. The principal concern of the manufacturers seems to have been to ensure that the sale of seconds should not affect the market for their regular products.
- (i) That there have been further ancillary facets of agreement among the manufacturers involving minimum standards of built-up roofing, tenders on government business, the bonding of roofs in far northern areas and other matters.
- (j) The evidence shows an agreement among the manufacturers which may be considered as having two supplementary divisions. First, the agreement in relation to virtually all aspects of the manufacture, distribution and sale of the products of the industry except list prices was arrived at by consultation and discussion among the manufacturers and was set out in the Merchandising Plan jointly published by the manufacturers through their Association. Apart from the question of supplementary agreement on prices, this agreement is important because the collateral aspects of the contract of sale have a significant effect on the laid down cost to a purchaser. It is also important because it is a necessary prerequisite to any agreement on delivered prices. This is illustrated by the evidence showing how the manufacturers used the basing point system and agreed upon arbitrary transportation charges in the full realization that,

unless such collateral costs were kept uniform, laid down costs to purchasers would vary even though list prices were the same. A further aspect of this agreement is that by producing uniformity in collateral costs, it leaves list prices as the only variable factor in laid down cost and hence more susceptible to control. Several witnesses argued that list prices of comparable products always tend to become identical - the low price becomes the common price for all manufacturers. Whatever may be the validity of this argument in its application to general situations, it is certainly more likely to be true when every other aspect of the contract of sale has been determined by agreement.

However, regardless of what would have been the effect of economic forces in bringing about identical list prices, such forces were not allowed to operate in this industry. Identical prices resulted from discussions among the manufacturers about changing costs and corresponding changes in prices. When the discussion indicated the amount of change in prices which would be acceptable to all manufacturers, that change was adopted by all.

The second aspect of the agreement - that on list prices - was not of the same formal character as the Merchandising Plan. Each manufacturer published its own list prices independently but the overall arrangements and the discussions among the manufacturers were designed to and did, in fact, ensure that, before such prices were published, agreement was reached as to the exact identical prices which would be published.

In the result, the manufacturers agreed upon identical list prices and uniform terms and conditions of sale so that the laid down cost to any particular customer of a particular purchase would be exactly the same regardless of which manufacturer supplied the goods or from what point shipment was made. To the extent that the agreement was observed, the manufacturers eliminated all competition on a price or cost basis and most competition on any other basis such as the variety of products or the like.

The agreement was not observed perfectly. There were instances of failure to follow it and when and to the extent that departures from it took place, there was price cutting and attempts to obtain business by supplying the products of the industry at the lowest price.

There are no instances of different terms or conditions being published by any manufacturer, the common

Merchandising Plan was used by all - subject to one possible exception in the case of Barrett in District #4 in the latter part of 1952. In certain instances, Johns-Manville modified the Plan to include asbestos products, but these do not constitute a real exception.

Published prices of the several manufacturers have been almost invariably identical on all major products except for:

- (a) a period of adjustment during the first months of 1947 following the removal of price controls;
- (b) a period of approximately six weeks in 1948 when Johns-Manville's prices on certain lines were above those of the other manufacturers;
- (c) the periods, usually lasting only a few days, during price changes when prices were not identical until all manufacturers had made the change.

Such price cutting as did take place was by departures in specific instances from the published Plan or prices. The evidence indicates that such departures were not numerous, were sporadic, usually secret and were almost invariably discontinued as soon as they were discovered by the other manufacturers.

- (k) Beginning in May, 1947, legal counsel has attended virtually all meetings of the Association. It seems quite obvious that one of the principal reasons for engaging counsel to scan the draft minutes was to ensure that any reference to activities which might be or appear to be in restraint of trade would be eliminated.
- (l) The detriment to the public resulting from the agreement is that flowing from the elimination of competition among the manufacturers. The manufacturers have not competed for business in any real sense. They normally decided in advance what prices, terms and conditions would be offered by all manufacturers to all buyers. Even in the very exceptional case where a manufacturer made an arbitrary unilateral decision to cut a list price or, as was more usual, to alter a term or condition to give a lower laid down cost to the purchaser, such a change would normally be announced in advance to the other manufacturers.

While the detriment to the public may be stated broadly as being that resulting from the elimination of competition, it

is obvious that this elimination of competition resulted in various forms of specific detriment because of the subsidiary agreements on particular matters which formed the basis of the whole scheme of agreement. Thus, besides the identical laid down prices which were its primary object, the agreement resulted in various incidental results such as adherence to fixed distributive channels and restrictions on the variety of products and on the types of bonded built-up roofing available to the public. It is impractical to catalogue all the subsidiary effects. In summary it can be said that the agreement affected every aspect of the industry.

- (m) Because the agreement has been so complete and has been observed so faithfully, it is impossible to measure specific detriment accurately. It is not possible to say what the situation in the industry would be if competition existed. There are, however, a few instances which indicate that prices would have been reduced. There was a reduction of 5% to the Canadian Commercial Corporation because of competition to the manufacturers from wholesalers. Evidence of one witness indicates that if shipments of shingles by Eastern manufacturers into British Columbia had not been stopped by the discussions at a meeting of the manufacturers in Winnipeg in January, 1948, one manufacturer in British Columbia would have had no alternative but to reduce its price in that market and might possibly have retaliated by shipping shingles into the Eastern market, presumably at lower prices than those then prevailing. There is also evidence that the withdrawal of an Eastern manufacturer from the industry-wide reporting scheme in connection with quantity rebates resulted in certain customers getting preferred terms, illustrating that such situations might normally be expected if terms and conditions of sale were determined by individual manufacturers and not by agreement. If these instances illustrate what might be expected if competition existed in the industry, and it may be assumed that they do, then it is clear that substantial detriment did in fact result from the agreement among the manufacturers. Finally certain evidence appears to indicate that certain firms enjoy a considerable advantage by virtue of plant location. The firms not enjoying this advantage have operated, presumably profitably, for many years on the same level of prices as those which do. This is at least some evidence that the common prices at which the industry sells its products are based on the costs of the marginal firms and not the most efficient ones and affords further indication of the detriment flowing from the agreement.

2. Parties Mentioned in the Statement of Evidence

The following are the principal manufacturers of asphalt and tar roofings in Canada so designated in the Statement of Evidence:

The Barrett Company, Limited (hereinafter referred to as "Barrett"), 5551 St. Hubert Street, Montreal, P.Q. This company was incorporated as The Patterson Manufacturing Company Limited with head office in Toronto in 1894. Its name was changed to the present name in 1917. It is a Dominion company. It is a wholly-owned subsidiary of Allied Chemical and Dye Corporation, New York. The company has plants at Joliette and Montreal, P.Q., Toronto, Ont., Winnipeg, Man., and Vancouver, B.C. It manufactures roll roofings at its Montreal and Vancouver plants and asphalt shingles at its Montreal plant only. In Western Canada the company distributes, to a considerable extent, roofing products purchased from another manufacturer.

Bishop Asphalt Papers Limited (hereinafter referred to as "Bishop"), Portneuf Station, P.Q. This company is the successor of Bishop & Sons Limited. It was incorporated in 1945 under the laws of Quebec. In 1947 it acquired the London Roofing Division of Viceroy Manufacturing Company Limited at London, Ont. whose plant at London had been set up about 1938. It is controlled by Portneuf Investments Limited⁽¹⁾ which is, in turn, controlled by Minas Basin Pulp & Paper Company Limited, Hantsport, N.S. Bishop operates plants at Portneuf Station, P.Q. and London, Ont.

Brantford Roofing Company, Limited (hereinafter referred to as "Brantford"), 22 Sydenham Street, Brantford, Ontario. This company was incorporated in 1928 and is a Dominion company. Brantford Roofing (Maritimes) Limited (which was formerly the Carritte Company Limited) and Brantford Felt and Paper Company Limited are wholly-owned subsidiaries. According to press reports, control of Brantford was acquired in October, 1953, by Dominion Tar & Chemical Company, Limited. The 1954 edition of the Financial Post Survey of Industrials states that in January, 1954, Dominion Tar & Chemical Company, Limited completed the acquisition of 100% of bonds and stock of Brantford Roofing Company, Limited. Plants are operated at Brantford, Ont. and St. John, N.B.

(1) According to a prospectus issued in connection with a bond issue of Sidney, all of the issued and outstanding shares of Portneuf Investments Limited were acquired by Sidney on February 10, 1955.

Building Products Limited (hereinafter referred to as "Building Products"), Room 1700, Royal Bank Building, Montreal, P.Q. This is a Dominion company and is not a subsidiary nor does it own any subsidiaries. About April, 1952, Building Products purchased the assets of Kola Roofing Company Limited, which had set up a plant in Calgary some time in 1949. The plant was closed after acquisition. Building Products operates plants at Ville-La Salle, P.Q., Hamilton, Ont., Winnipeg, Man., and Edmonton, Alta. At these plants asphalt shingles and roll roofings are made. The Edmonton plant of Building Products was opened in 1951. The company also operates a granule crushing and colouring plant at Havelock, Ont.

Canadian Gypsum Company, Limited (hereinafter referred to as "Canadian Gypsum"), Windsor, N.S. - principal executive offices, 170 Bloor Street West, Toronto. This company was incorporated in 1907 and is a Dominion company. In 1935 it acquired Toronto Asphalt Roofing Manufacturing Company Limited, which is now inactive, but which, until 1949, was the roofing division of the company. It is a wholly-owned subsidiary of United States Gypsum Company, Chicago. Asphalt roofing products are made only at the company's Toronto (Mount Dennis) plant.

Canadian Johns-Manville Company, Limited (hereinafter referred to as "Johns-Manville"), 1062 Sun Life Building, Montreal, P.Q. This company was incorporated in 1918 and is a Dominion company. It is a wholly-owned subsidiary of Johns-Manville Corporation, New York, U.S.A. Canadian Johns-Manville Ontario, Limited, Matheson, Ontario, is a wholly-owned subsidiary. The company manufactures asphalt roofing products at Asbestos, P.Q.

Currie Products Limited (hereinafter referred to as "Currie"), 87 Sheaffe Street, Hamilton, Ontario. This company was incorporated in 1930 under the laws of Ontario, is not a subsidiary and does not own any subsidiaries. It is the successor to Hamilton Tar and Ammonia Company and Hamilton Tar Products Limited. The company has plants at Hamilton and Ottawa where it manufactures such lines as roofing tars, felts and sheathings, but it does not manufacture asphalt roofing which it purchases from other manufacturers for resale.

Dominion Tar & Chemical Company, Limited (hereinafter referred to as "Dominion Tar"), Room 2240, Sun Life Building, Montreal, P.Q. This company is a Dominion company which was incorporated in 1929 to take over the Canadian business and undertakings of the Dominion Tar and Chemical Company, an English company. It carries on its operations in the asphalt

roofing field through two wholly-owned subsidiaries - Alexander Murray & Company, Limited and Canada Roof Products, Limited (hereinafter referred to as "Murray" and "Canada Roof", respectively). The head office of Murray is in Montreal. It is a merchandising organization and carries on operations throughout Canada. Canada Roof is a manufacturing company with head office and plant in Vancouver. Dominion Tar makes asphalt shingles and roll roofing only at the Vancouver plant of Canada Roof. In Eastern Canada and in the Prairies Murray distributes such products purchased from other manufacturers. As already noted, Dominion Tar is reported to have acquired control of Brantford.

The Philip Carey Company, Limited (hereinafter referred to as "Carey"), Lennoxville, P.Q. This is a Dominion company which was incorporated in 1935. It is a wholly-owned subsidiary of Quebec Asbestos Corporation, Limited which, in turn, is a wholly-owned subsidiary of The Philip Carey Manufacturing Company, Lockland, Ohio, U.S.A. The company operates one plant at Lennoxville, P.Q. It appears to have begun manufacturing asphalt roofing products some time in 1941.

Sidney Roofing & Paper Company, Limited (hereinafter referred to as "Sidney"), Industrial Reserve, Victoria, B.C. This company was incorporated in 1927 under the laws of British Columbia. In 1945 control of the company was acquired by W. Garfield Weston and subsequently passed to Eddy Paper Company Limited through its wholly-owned subsidiary, The E. B. Eddy Company. The plants of the company are located in Victoria, B.C. and Lloydminster, Alta. The latter plant was opened in 1951.

Certain present and past officers of the Association of asphalt roofing manufacturers were also mentioned in the allegations set out in the Statement of Evidence, but for the purpose of appraising the effect of arrangements and practices disclosed in the evidence we do not find it necessary to reach any conclusion as to the personal responsibility of any individual. We therefore omit reference to this part of the allegations made by the Director.

3. Hearings and Witnesses

On application of the Director of Investigation and Research hearings for the taking of evidence in the inquiry were held, before a member of the Commission, in Montreal, Ottawa, Toronto and Vancouver on various dates from September, 1953, to January, 1954. The following witnesses were examined:

Hudson, Bruce E.	Sales Manager, Pacific Zone, The Barrett Company, Limited
Schroeder, Gordon D.	Vice-President, The Barrett Company, Limited
Whalen, Michael James	Traffic Supervisor, The Barrett Company, Limited
Young, John McNab	Formerly General Sales Manager, The Barrett Company, Limited
Boland, Roy O.	Sales Manager, Bishop Asphalt Papers Limited
Wyman, Clifford Parker	Vice-President and Managing Director, Bishop Asphalt Papers Limited
Wyman, C. P. B. Jr.	Secretary, Bishop Asphalt Papers Limited
Aikens, William John	Secretary, Brantford Roofing Company, Limited
Cockshutt, Eric Morton	Assistant to the President, Brantford Roofing Company, Limited
Barclay, Stuart M.	Vice-President of Sales, Building Products Limited
Carr, William B.	Secretary, Building Products Limited
Long, Leonard F.	Executive Vice-President, Building Products Limited (one-time Vice-President in charge of sales, The Barrett Company, Limited)
Newton, Leslie James	Director of Research, Building Products Limited
Pringle, Harold E.	Formerly Vice-President and Western Canada Manager, Building Products Limited
Reynolds, Herbert Joseph	Merchandising Manager, Building Products Limited
Wynne, Arthur Barron	Assistant General Sales Manager, Building Products Limited
Gibbs, Fletcher B.	Vice-President in charge of sales, Canadian Gypsum Company, Limited
Ball, Herbert Morton	Secretary, Canadian Johns-Manville Company, Limited
Bromley, Frank A.	Vice-President and Merchandise Manager, Canadian Johns-Manville Company, Limited
Hall, Guy Allan	Commodity Manager, Canadian Johns-Manville Company, Limited
Shore, Albert George	Senior Representative in British Columbia and the Yukon, Canadian Johns-Manville Company, Limited

Williams, Leonard	Formerly Branch Manager, Vancouver, Canadian Johns-Manville Company, Limited
Currie, John M.	Secretary, Currie Products Limited
Currie, William George	Vice-President and General Manager, Currie Products Limited
Kirlin, Charles J.	Formerly Branch Manager, Montreal, Currie Products Limited
Kerr, Stuart A.	Secretary, Dominion Tar & Chemical Company, Limited and subsidiaries
Marden, Arthur Hollis	Vice-President, Dominion Tar & Chemical Company, Limited (formerly General Manager, Alexander Murray & Company, Limited)
Moffatt, Wm. D.	Formerly General Manager, Alexander Murray Division, Dominion Tar & Chemical Company, Limited
Bordewick, Hans Henry	District Manager, Vancouver, Alexander Murray & Company, Limited
Rogers, Robert Gordon	General Manager, Alexander Murray & Company, Limited (formerly Sales Manager, The Philip Carey Company, Limited)
Roy, Irene	Merchandising Manager, Alexander Murray & Company, Limited
Jones, Alexander Wray	Manager, Canada Roof Products, Limited
Phillips, Ian Lemon	Sales Manager, Canada Roof Products, Limited
Boadway, Edgar A.	Manager of Operations, The Philip Carey Company, Limited
Coombs, Roy Lynn	Office Manager and Credit Manager, The Philip Carey Company, Limited
Brown, Harvey Elwood	Secretary-Treasurer, Sidney Roofing & Paper Company Limited
Caldwell, Robert Frederick	Director, Sidney Roofing & Paper Company Limited
Craig, John Alexander	Vice-President & General Manager, Sidney Roofing & Paper Company Limited
Vickers, John David	General Sales Manager, Sidney Roofing & Paper Company Limited (previously employed by Canadian Johns- Manville Company, Limited)

Welch, Archibald	Formerly General Manager, Sidney Roofing & Paper Company Limited
Nairn, Mrs. Mary	Former Employee, Asphalt Roofing Manufacturers' Association
Robinson, Richard Vernon	Formerly part-time Secretary, British Columbia Branch, Asphalt Roofing Manufacturers' Association
Young, Frank A.	Acting Secretary, Asphalt Roofing Manufacturers' Association

Throughout the evidence, documents are referred to by the code letter and number assigned to the particular document, identifying it with the business premises on which it was found. The same designations are used in this report in referring to particular documents included in the exhibits in the inquiry. The list of code letters and corresponding premises is as follows:

<u>Code Letters</u>	<u>Premises</u>
ARA	- Asphalt Roofing Manufacturers' Association, Toronto
ARV	- Vancouver Office
BAP	- Bishop Asphalt Papers Limited, Portneuf, P.Q.
BCL	- The Barrett Company, Limited, Montreal
BCV	- Vancouver Office
BPL	- Building Products Limited, Montreal
BRC	- Brantford Roofing Company, Limited, Brantford
CGC	- Canadian Gypsum Company, Limited, Toronto
CJM	- Canadian Johns-Manville Company, Limited, Toronto
JMV	- Vancouver Office
CPL	- Currie Products Limited, Hamilton
DTC	- Dominion Tar & Chemical Company, Limited, Montreal (Alexander Murray & Company, Limited Division)
AMV	- Vancouver Office (of Alexander Murray & Company, Limited)
CRV	- Vancouver Office (of Canada Roof Products Limited)

PCC	-	The Philip Carey Company, Limited, Lennoxville, P.Q.
PCM	-	Montreal Office
SRP	-	Sidney Roofing & Paper Company Limited, Victoria
SRV	-	Vancouver Office

In accordance with Section 18(1) of the Combines Investigation Act, the Statement of Evidence was submitted to the Restrictive Trade Practices Commission and also to each of the persons against whom an allegation was made therein. The Commission, by an Order dated June 18, 1954, fixed Monday, November 8, 1954, at 10 o'clock in the forenoon in a court room of the Exchequer Court of Canada, in the City of Ottawa, as the date, time and place at which argument in support of the Statement of Evidence could be submitted and at which persons against whom any allegation had been made in such Statement would be allowed full opportunity to be heard in person or by counsel, the whole in compliance with Section 18(2) of the Act. In giving notice thereof, the Commission further informed the parties that at such hearing they would have the opportunity of further examining any witness who had been called during the course of the inquiry or of having called any additional witnesses or of submitting additional documentary evidence. The following appearances were registered at the hearing which opened on November 8, 1954, and concluded on November 16, 1954:

F. N. MacLeod, Esq., and T. V. S. Wiggins,	For Director of Investigation and Research;
---	--

Andrew Forget, Q.C.,	For Bishop Asphalt Papers Limited, Building Products Limited, Sidney Roofing & Paper Company Limited, and certain individuals;
----------------------	---

Hazen Hansard, Q.C.,	For The Barrett Company, Limited;
----------------------	-----------------------------------

J. F. Chisholm, Q.C.,	For Canadian Johns-Manville Company, Limited;
-----------------------	--

J. J. Robinette, Q.C., Beverley Matthews, Q.C., J. H. C. Clarry, C. B. Mahin,	For Canadian Gypsum Company, Limited;
--	--

J. F. Reesor, Esq.,	For Currie Products Limited;
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E. K. McDougall, Esq.,	For The Philip Carey Company, Limited;
------------------------	---

R. A. Patch, Esq.,	For Dominion Tar & Chemical Company, Limited,
--------------------	--

Alexander Murray & Company,
Limited, Canada Roof Products,
Limited;

Peter White, Q.C.,

For Brantford Roofing Company,
Limited.

Mr. G. M. Walker who had been the first secretary of the Association of asphalt roofing manufacturers was called to give evidence before argument was heard.

4. Position Taken with Respect to the Allegations
by the Manufacturers

Some time prior to the opening of the hearing for argument, the parties named in the Statement of Evidence were informed by the Commission that at the commencement of the hearing each party represented would be called upon to state precisely the position taken with respect to the Statement of Evidence. That is to say, whether issue would be taken on the facts submitted in the said Statement and, if so, on what facts and whether issue would be taken on the conclusions submitted in the form of allegations of misconduct by the Director and, if so, on what allegation or allegations, and what propositions or conclusions would be submitted in reply thereto. The Commission indicated that it would find it of great service if written briefs outlining the position taken could be put in its hands before the commencement of the hearing and counsel for the respective parties and one individual appearing without counsel assisted the Commission by so doing. The main points on which issue was taken in the joint brief presented by the manufacturers at this stage may be stated generally as follows:

(1) The evidence does not demonstrate agreement on the terms of a common merchandising plan as alleged in the Statement of Evidence. Each manufacturer determined its own terms of sale. The merchandising plan compiled by the Association office was a consolidation of what has been termed the "low man's position" on each aspect of merchandising. Each manufacturer was bound to meet the most advantageous terms of sale offered by any other manufacturers in order to compete in the market.

(2) It was a custom and usage of open pricing, but not a requirement in the industry, that the manufacturers would announce changes in their merchandising practices. In making such announcements or refraining from doing so, a manufacturer was under no restraint by way of fines, penalties or otherwise. Such usages, leaving to each manufacturer complete freedom of action, did not result in a lessening of competition and were not detrimental to the public.

(3) The granting of quantity rebates based on purchases during a specified period from all Canadian manufacturers fosters competition and operates in the interests of the public and not to their detriment. The granting of such rebates is not only lawful but in accord with the spirit of the legislation.

(4) The manufacturers did not fix by agreement common transportation charges on their products as alleged in the Statement of Evidence. The transportation charges used were the lowest which a purchaser could secure from any common carrier, or were lower. Merchandising on a basis of freight equalization is the result of competition and in the interests of competition.

(5) The manufacturers did not agree to publish or to follow identical list prices. The nature of the product, and of the market, is such that substantial uniformity of price level was the necessary result of competition. If individual companies are to retain their ability to compete in any market they must meet the "low man".

(6) The manufacturers did not seek to support or maintain wholesale and mail order prices or dealer prices or practice resale price maintenance as alleged in the Statement of Evidence or at all.

(7) There was no agreement or understanding among the manufacturers to eliminate or restrict the introduction of lines of products as alleged in the Statement of Evidence.

(8) Standardization of the products of the industry has been fostered by the Canadian government both as a defence economy measure starting in the earlier years of the last war and as a step in the programme to establish a National Building Code. Standardization has resulted in lower prices of the products to the consumer and dealer. Minimum specifications for products are an effective method of ensuring the quality of a home-owner's roof. Apart from Government restrictions, a full range of specifications, sizes and colours are and always have been available to meet the demand for asphalt roofing in Canada.

(9) There was no agreement or arrangement between the manufacturers regarding distributive channels as alleged in the Statement of Evidence.

(10) There was no agreement or arrangement as to amounts which would be bid when tenders were submitted by the manufacturers; similarity of tenders results from the inevitable uniformity of price structure in a competitive market.

(11) The practices of the manufacturers with regard to seconds were sound and lawful.

(12) It was entirely proper for the manufacturers to discuss together the problem of bonding roofs in far northern areas where substantial construction was taking place for the first time and to discuss this problem with Canadian government officials in order to endeavour to devise a mutually acceptable solution.

(13) The asphalt roofing manufacturers are only one of the sources of supply of roofing materials in Canada. The market was and is subject to active competition from other products and from asphalt roofing products imported from other countries. The basic raw materials of asphalt roofing are available on the open market to any one wishing to become a roofing manufacturer.

(14) Detriment to the public has not been established but on the contrary what is before the Commission proves that the public has been well served by the manufacturers. The evidence before the Commission shows that the prices charged by the asphalt roofing manufacturers were reasonable and beneficial to the public. The asphalt roofing manufacturers gave good service at all times to the Canadian public making available products of a high standard of quality at reasonable prices and upon reasonable terms. This accounts for the wide public acceptance of built-up roofing and of asphalt shingles and sidings in preference to competing products.

(15) The evidence does not establish but rather refutes the allegation that the companies and individuals on whose behalf this brief is submitted have by actual or tacit agreement or at all substantially prevented or lessened competition in the manufacture, distribution or sale of asphalt roofing or tar roofings or related products throughout Canada or at all.

(16) It is alleged in the Statement of Evidence that counsel was engaged to scan the draft minutes in order that any reference to activities which might be or might appear to be in restraint of trade be eliminated. The letter relied on in support of such proposition demonstrates the exact opposite of it. The material reveals that counsel was engaged to ensure that the Asphalt Roofing Manufacturers' Association complied with all legal requirements in the conduct of its affairs and that the minutes of the meetings were accurate and clear.

CHAPTER II

THE ASPHALT ROOFING INDUSTRY

1. Nature of Products

The nature of products made in the asphalt roofing industry and the uses to which they are put are described in the Director's Statement of Evidence. As no exception was taken to the descriptive material and as no additional information was presented in evidence to the Commission, this material will be drawn upon to provide a general background of the industry. Those portions of the Statement of Evidence which are quoted verbatim for this purpose are indented.

There are two classes of roofs constructed from asphalt and tar roofing products. The first type is constructed from shingles or roll roofing. These products are prepared in the factory and simply require to be nailed and/or cemented into place on the building. They can be applied by any carpenter. The second type is the built-up roof (sometimes referred to simply as BUR). In this type the roof covering is actually built up on the particular building. Essentially the process consists of laying a layer of bitumen, then a layer of felt, then a layer of bitumen, then a layer of felt, and so on, until a covering of the desired thickness is obtained. Because each is an individual project, an extremely wide variety of roofs is possible. Thus a different method of preparing the roof deck may be used, a base sheet of heavy felt may or may not be used, different types of bitumens may be used, different weights or felt may be used on different buildings or even for different layers on the same building, the roof may be finished off with plain bitumen, with a layer of mineral surfaced roofing or with a layer of bitumen in which slag or gravel is imbedded. These are only some of the possible alternatives. This type of roof is normally applied by an applicator with special training and experience.

There is one very important distinction between the two types of roofs. All forms of prepared roofing are sold in units, normally as rolls or shingles. Each section or unit is itself waterproof but there is no practical method of making the joints between the units waterproof. For this reason this type of roofing must be laid with one section or unit overlapping the next and is only suitable for use on a sloping roof. With a built-up roof, on the other hand, it is possible to construct a complete waterproof membrane or covering over the whole roof.

For this reason built-up roofs are especially suitable for buildings with flat roof decks.

The Statement then goes on to point out that on a flat roof deck, a built-up roof is by far the most commercially feasible type and there is no real substitute available which can be constructed as cheaply or efficiently. Asphalt shingles and roll roofings, on the other hand, are in direct competition with wooden shingles and with other products such as galvanized sheets or aluminum sheets. Asphalt sidings face an even wider range of possible alternatives such as brick, stone, clapboards, cement blocks, etc.

The asphalt roofing industry is stated to be of comparatively recent origin in the long history of structural materials.

The use of bitumens (i.e. asphalt, tar, pitch, etc.) dates back to the pre-Christian era but the first recorded development of a composition roof using a bitumen occurred in Europe between 1780 and 1790 and in the United States between 1844 and 1847. These dates are given in Abraham: Asphalts and Allied Substances, 5th Edition, 1945. However, these were experiments only and it was many years before an asphalt and tar roofing industry developed.

One witness in the inquiry stated that the original Brantford Company established the first asphalt roofing plant in Canada in 1905.

The use of roll roofing appears to have received a tremendous boost during the first World War when there was a great demand for buildings such as barracks with a premium on speed of construction. Public acceptance of asphalt shingles appears to have been gradual. Improved methods of manufacture and particularly their fire resistant qualities seem to have been important factors in the shift to these shingles from wooden shingles. In Canada sale of asphalt shingles passed that of wooden shingles during the 1940's according to evidence of some of the senior men in the industry. It is difficult to obtain precise information on built-up roofs. Examination of old architectural texts shows that as late as the turn of the century slate, tile and similar products were the most widely used and asphalt or tar products seem to have been almost unknown for roofing purposes. It seems to be a safe assumption that the development of the built-up roof as a satisfactory type of roof covering for flat roofs has itself contributed to an increasing tendency to construct large commercial buildings with flat roofs. The majority of modern commercial buildings are constructed with flat roof decks and are completed with built-up roofs. Until recent years this was not so, most

buildings had sloping roofs and were covered with slate, tile, copper, lead or other similar materials.

The basic materials used in the manufacture of asphalt and tar roofings and related products are:

1. Felts and papers;
2. Bitumens;
3. Minerals.

Many weights and types of felts and papers are used in the industry. Both felts and papers are used for insulation purposes. They may be "dry", i.e., untreated, or saturated and/or coated with a bitumen. Felt is the basic material in shingles, roll roofing and similar products and in built-up roofing. Both rag felt and asbestos felt are used in the industry - the latter type is produced only by Canadian Johns-Manville Company, Limited and The Philip Carey Company, Limited.

The composition and production of bitumens is extremely complicated but, for the purpose of this Statement, it is sufficient to note that the bitumens used in the industry in Canada are asphalt, derived from petroleum, and coal tar, derived from coal. L. J. Newton, who was called as a technical expert, stated that "coal tar" and "coal tar pitch" are interchangeable terms and mean the same thing (Transcript, p. 111). Both terms are used in price lists and other documents and it would appear that it is usual to speak of tar saturated felts but to refer to coal tar pitch when referring to the bituminous form. Asphalt is the bitumen used to treat felts in the manufacture of shingles, rolled roofing and similar products. Both asphalt and coal tar are used to saturate felts and papers and as the basic ingredient in various sundry products such as roof preservations and the like. One of the most important uses of both asphalt and coal tar pitch is as the bitumen for use in built-up roofs.

Two general types of minerals are used in the manufacture of roofing products. Very fine minerals are used to treat coated and saturated felts, particularly those to be packaged in rolls, so that the surface will not be sticky and the convolutions of the rolls will not adhere to each other. Talc and sand are examples of minerals commonly used for this purpose. Apparently these minerals also add somewhat to the wearing qualities of the finished product. Coarse granules of certain suitable minerals are the second type used. These are applied to treated felt to provide an additional surface or coat (or additional coats if more than one is applied). In this case the mineral adds greatly to the durability and wearing qualities of the product in addition to giving it a distinctive appearance. The colouring of granules may be either natural or artificial.

The following brief comments on the products of the industry are given in the Statement:

Asphalt shingles are manufactured in many weights and sizes. When these shingles were first developed they were modelled on wooden shingles and were of similar size and shape. This type, commonly referred to as individual or hip and ridge shingles, are now used chiefly for finishing up around the hips and ridges after the rest of the roof has been shingled with a standard type.

The first general type of shingle now manufactured is the strip shingle. This is really a multiple shingle in that the portion which will be exposed when the shingle is laid is divided to give the appearance of several shingles. It is rectangular in shape and usually about 12" by 36" with three tabs, i.e., it gives the appearance of three separate shingles when laid and is commonly referred to as a "3 in 1" shingle. The name type of shingles has been manufactured with two tabs, usually in a 12" by 20" size. Strip shingles are either of uniform thickness or of a thick butt design, i.e., the exposed portion is thicker than the rest of the shingle.

The next general type is the hexagonal shingle. It is similar to a strip shingle but the tabs are finished in a hexagonal shape which gives the roof a distinctive appearance when the shingles have been laid.

The last general type is the interlocking. These include various designs all shaped so that the shingles interlock as they are laid.

In speaking of weights, it is usual in the industry to refer to the weight of the quantity of the particular product which is required to cover one hundred square feet, allowing for any overlapping which may be necessary. Throughout this Statement, unless otherwise indicated, weights will be given in this manner. The heaviest shingle listed in the price lists submitted by the manufacturers was the 260-pound "Tritone" listed by The Philip Carey Company, Limited, but this line has been discontinued. The majority of the manufacturers list a 240-pound shingle. The 210-pound weight, especially in the strip shingle, is a standard weight. This weight is normally recommended for a new roof or for a roof from which the previous covering is to be removed.

In the 190 to 165-pound class, the hexagonal and interlocking types are the most common. These types in this weight range are also suitable for new work but do not give as thick a roof covering as the 210-pound or heavier shingle. Actually the shingle itself may be just as thick as the 210-pound shingle but

there is not as much overlapping over the whole roof.

The 125-pound shingle is usually of the interlocking type and is recommended for application over the old roof covering. All companies sell a shingle of this type except Sidney and it sells a similar shingle which is 130 pounds.

Insulated sidings are various types of insulating board treated with a bitumen and given a surface of mineral granules. They are finished in various designs, brick and stone being the more common. Insulated siding is sold in panels and usually weighs about 200 pounds.

Roll roofing is of two general types - smooth surfaced and mineral surfaced. In smooth surfaced roofing, the two commonest weights are 45 and 55 pounds. Mineral surfaced roofing is most commonly manufactured in a 90-pound weight (36" wide) and a 95-pound weight (18" wide). The 95-pound type is usually put up in two rolls per square (each 47-1/2 pounds). A 60-pound mineral surfaced roofing is now manufactured by some companies after having been discontinued for some years.

Roll siding is similar to mineral surfaced roll roofing except that it is finished in a brick or stone design and is, of course, intended for use on side walls instead of roofs.

Starter strip is a mineral surfaced roll roofing especially designed for use as the first strip on a roof which is to be shingled.

Paper and sheathings are of many types. They are used for insulating and similar purposes. Some, more particularly the untreated papers, are purchased directly from the paper manufacturers and are merely resold by the roofing manufacturers. The practice varies from company to company. It will be noted that most of the companies which operate in Districts #3 and #4 (the Prairies, British Columbia and the Yukon) offer a much larger line of papers and sheathings in these Districts, presumably because of climatic conditions in these areas.

Built-up roofing products consist chiefly of bitumens and saturated felts. In the felts, the 12, 15 and 25-pound felts are more or less standard with all companies. In addition, various companies (notably The Barrett Company, Limited and Canadian Johns-Manville Company, Limited which specialize in BUR products) manufacture special felts for certain types of built-up roofs. Similarly, all companies list asphalt compound and coal tar pitch but The Barrett Company, Limited and Canadian Johns-Manville Company, Limited also list special grades of both. In

British Columbia, most of the manufacturers list various marine pitches. These are undoubtedly available in other parts of Canada but do not appear to be listed in regular price lists.

One product, usually classed as a built-up roofing product, is "S.I.S." or "N.I.S." or selva edge roofing. This is a type of roll roofing 36" wide with either 17" or 19" covered with mineral and the remainder unsurfaced. When laid there is a 17" or 19" overlap. This product is chiefly used for built-up roofs where the roof has a relatively steep slope.

The industry produces a large line of waterproofing paints and cements, shingle stains, wood preservatives and disinfectants. These are commonly referred to as "specialties" or as "the black line".

The following classification of products is used by members of the Asphalt Roofing Manufacturers' Association:

"Group A-- Asphalt shingles and asphalt shingle sidings
(excluding roll-type sidings).

" AA-Asphalt insulated sidings.

" B--Roll roofing and roll-type sidings.

" C--Sheathings, Carpet or insulating felts, and
building papers.

" D--Built-up roofing materials.

Built-up roofing materials include all materials used in built-up roofs, excluding #2 dry sheathing which is a Group C product, all tarred felt and coal tar pitch, asphalt felt, and asphalt compound, all materials used in cap sheet roofs, base sheet and selva-edge roofs. Coal tar pitch and asphalt compound are referred to herein as bitumens.

" E--Waterproofing paints and cements, shingle stains, wood preservatives, and disinfectants, commonly referred to as 'specialty products'.

" F--All other types of allied roofing, waterproofing or building material products produced or sold in Canada, such as special waterproofing membranes, metal or composition roof flashings, roof hoppers, asbestos-base waterproofing products, insulating and fibre wallboard, rock-wool insulation, plaster, etc."

(ARA-16-5)

The Dominion Bureau of Statistics publishes statistics annually for what is termed "The Roofing Paper Industry". The products shown for this industry include some which do not fall within the asphalt roofing industry. Appendix B gives the list of manufacturers and the products of each as shown in the report of The Roofing Paper Industry for 1950.

2. Location of Plants

The descriptions of the various manufacturers given in an earlier section indicate to some extent the location of the various plants in the asphalt roofing industry, but it may be useful to show the geographical distribution somewhat more clearly. A tariff brief prepared in 1946 by the manufacturers of asphalt roofing in Canada made the following comment on plant location:

"Owing to the weight of asphalt roofing products, and consequent high shipping costs, it is economically important for separate units to serve Canada at strategically-located points, based on population concentrations."

(ARA-125-2)

The various types of factories in the industry are described as finishing, conversion or saturating, felt mills and pitch plants. In some cases all processes are carried on at the same location while at others only the pitch or conversion operations may be conducted. The following is a tabulation of the plants in operation in 1952 in the various geographical areas as shown in an industry submission of March 6, 1952, to the Board of Transport Commissioners. The full table showing head offices, plants and warehouses, as reproduced in the Statement of Evidence, is contained in Appendix A.

Company	Plant Location	Type of Plant
<u>Maritime Provinces</u>		
Dominion Tar & Chemical Co. Limited	Sydney, N.S.	Pitch
Brantford Roofing (Maritimes) Ltd.	Saint John, N.B.	Conversion
<u>Quebec</u>		
The Barrett Co. Ltd.	Joliette	Felt
	Montreal	Conversion & Pitch
Bishop Asphalt Papers Ltd.	Portneuf Stn.	Felt & Conversion
Building Products Ltd.	Ville La Salle	Felt & Conversion
	Pont Rouge	Felt

Canadian Johns-Manville Co. Ltd.	Asbestos	Felt & Conversion
The Philip Carey Co. Ltd.	Lennoxville	Felt & Conversion
Dominion Tar & Chemical Co. Limited	Montreal	Conversion & Pitch

Ontario

The Barrett Co. Ltd.	Toronto	Conversion & Pitch
Bishop Asphalt Papers Ltd.	London	Conversion
Brantford Roofing Co. Ltd.	Brantford	Conversion
	Thorold	Felt
Building Products Ltd.	Hamilton	Conversion
	Havelock	Granule
		Crushing and Coloring
Canadian Gypsum Co. Ltd.	Toronto	Conversion
(Roofing Division)	(Mt. Dennis)	
Currie Products Limited	Hamilton	Conversion & Pitch
	Ottawa	Pitch
Dominion Tar & Chemical Co. Limited	Toronto	Conversion & Pitch

Prairie Provinces

The Barrett Co. Ltd.	Winnipeg, Man.	Conversion & Pitch
Building Products Ltd.	Winnipeg, Man.	Felt & Conversion
	Edmonton, Alta.	Conversion
Dominion Tar & Chemical Co. Limited	Winnipeg, Man.	Conversion & Pitch
Sidney Roofing & Paper Co. Limited	Lloydminster, Alta.	Conversion

British Columbia

The Barrett Co. Ltd.	Vancouver	Conversion & Pitch
Dominion Tar & Chemical Co. Limited)		
(Canada Roof Products Ltd.))	Vancouver	Conversion & Pitch
Sidney Roofing & Paper Co. Limited	Victoria	Felt & Conversion

If the products asphalt shingles and roll roofings alone are considered we find that production is carried on at the following plants

included above:

		Asphalt Shingles	Roll Roofings
<u>Maritime Provinces</u>			
Brantford Roofing (Maritimes) Ltd.	Saint John, N.B.	X	X
<u>Quebec</u>			
The Barrett Co. Ltd.	Montreal	X	X
Bishop Asphalt Papers Ltd.	Portneuf Stn.	X	X
Building Products Ltd.	Ville La Salle	X	X
Canadian Johns-Manville Co. Ltd.	Asbestos	X	X
The Philip Carey Co. Ltd.	Lennoxville	X	X
<u>Ontario</u>			
Bishop Asphalt Papers Ltd.	London	X	X
Brantford Roofing Co. Ltd.	Brantford	X	X
Building Products Ltd.	Hamilton	X	X
Canadian Gypsum Co. Ltd. (Roofing Division)	Toronto (Mt. Dennis)	X	X
<u>Prairie Provinces</u>			
Building Products Ltd.	Winnipeg, Man.	X	X
	Edmonton, Alta.	X	X
Sidney Roofing & Paper Co. Limited	Lloydminster, Alta.	X	X
<u>British Columbia</u>			
The Barrett Co. Ltd.	Vancouver		X
Dominion Tar & Chemical Co. Limited)			
(Canada Roof Products Ltd.)	Vancouver	X	X
Sidney Roofing & Paper Co. Limited	Victoria	X	X

3. Volume of Production

Appendix C contains detailed tables showing the production of the principal products of the asphalt roofing industry over the past several decades, which were included in the Statement of Evidence. Where more recent figures have become available they have been included in the tables. The figures show that the production of asphalt roofing fell off during the early 1930's with the decline in construction and then increased substantially in the late 1930's as building picked up and house owners were in a better position to make repairs. In

general, production continued to increase during the war period to meet essential needs and the expansion in building following the war led to further substantial expansion in most lines. The following table shows the production of principal products in 1931, 1945 and 1954:

Production of Principal Asphalt Roofing Products,
1931, 1945 and 1954

	1931 squares	1945 squares	1954 squares
Asphalt Shingles	376,672	1,433,032	2,718,706
Smooth Surfaced Roofing	768,361	1,227,103	1,039,519
Mineral Surfaced Roofing & Sidings	266,307	1,160,550	1,064,990
	tons	tons	tons
Tar and Asphalt Felts	10,780	29,419	47,279
Tar and Asphalt Sheathings	6,509	13,667	16,220

Reference has already been made to the fact that the use of asphalt roofing has surpassed the use of wooden shingles. In fact, the available information indicates that the use of wooden shingles in Canada has decreased substantially in recent years. The table below shows the production of asphalt shingles, asphalt shingles and mineral surfaced roll roofing combined and asphalt shingles, mineral surfaced and smooth surfaced roll roofing combined compared with retained production (gross production less exports) of wooden shingles for the years 1934 to 1954. This table, except for the figures for 1952 to 1954 inclusive, was contained in the Statement of Evidence. It is there stated that total production figures for asphalt roofing have been used as quantity export figures are not published as is the case of wooden shingles. However, as total exports of all asphalt products are small the figures are not affected in any significant way.

Production for Domestic Use of Wooden Shingles and Asphalt
Shingles and Other Asphalt Roofing, 1934 - 1954

Year	Wooden Shingles (Squares)	Asphalt Shingles (Squares)	Asphalt Shingles and Mineral Surfaced Roll Roofing (Squares)	Asphalt Shingles and Mineral Surfaced and Smooth Surfaced Roll Roofing (Squares)
1934	996,779	260,522	480,585	1,250,699
1935	501,371	256,311	429,517	1,123,361
1936		368,672	595,350	1,396,565
1937	864,060	497,268	815,417	1,721,862
1938	862,344	441,573	758,248	1,534,898
1939	534,062	493,833	849,514	1,823,300
1940	1,012,466	553,657	986,733	2,343,907
1941	868,893	749,913	1,423,684	2,526,819
1942	1,026,227	669,428	1,567,351	2,625,703
1943	1,115,936	860,096	1,878,556	2,958,076
1944	1,223,175	1,089,116	2,108,117	3,316,623
1945	1,014,371	1,433,032	2,593,582	3,820,685
1946	870,810	1,982,584	3,443,614	5,012,702
1947	1,056,359	2,085,590	3,813,603	5,497,949
1948	725,262	2,043,831	3,349,278	4,502,321
1949	673,355	2,110,395	2,989,450	4,108,284
1950	267,697	2,431,618	3,323,046	4,519,691
1951	394,002	2,184,028	3,105,785	4,316,416
1952	311,992	2,113,319	2,916,586	3,932,901
1953	538,730	2,578,322	3,439,089	4,509,504
1954	357,221	2,718,706	3,541,148	4,580,667

The following table which is taken from the report of the Dominion Bureau of Statistics - "The Roofing Paper Industry, 1953", shows the quantities and values of the principal products manufactured in that year. It will be recalled that the Dominion Bureau of Statistics includes in this industry some non-roofing lines.

Roofing Paper Industry
Quantities and Values of Principal Products, 1953

Product	Quantity	Value \$
Asphalt saturated rag and asbestos felt shingles and shingle type sidings (squares) -	2,573,060	18,691,596
Smooth surfaced rag and asbestos felt roll roofings (squares) -	1,057,893	2,425,616
Mineral surfaced rag and asbestos felt roll roofings (squares) -	883,820	3,228,562
Roll type rag and asbestos felt sidings (squares) -	302,497	1,420,848
Tar and asphalt saturated rag and asbestos felts, not coated (tons) -	46,280	4,581,490
Tar and asphalt saturated and coated sheathings -		
Kraft base (tons) -	4,477	804,709
Non kraft base (tons) -	9,704	1,193,611
Other plastic roof coatings (tons) -	1,404	235,856
Roof cements (tons) -	1,277	265,098
Roofing paints (gallons) -	367,489	268,811
Other liquid roof coatings (gallons) -	72,215	58,976
All other products, including asphalt floor tiles, insulated siding (imitation brick, stone, etc.), "Crown" bottle caps and other closures and corks, etc. -	-	9,598,804
Total, all products		42,773,977

4. Customs Duties

In the 1946 industry brief on tariff matters already referred to (Exhibit ARA-125-2), the asphalt roofing manufacturers stated:

"The only foreign competition of any consequence is from the United States. Despite existing tariff protection, imports from the United States have always been sizeable around such centres as Windsor, Niagara Falls, Vancouver and Halifax. Such shipments originate at American plants adjacent to the Canadian border. Canadian products enjoy practically no advantage because protection accorded is offset by the freight to these points."

The brief stated that the rates of duty on imports from the United States had been reduced under the 1938 trade agreement with that country from 35% to 22-1/2% in the case of tarred paper and prepared roofings. The main tariff classifications appear to be Tariff Items 192 and 192a and Tariff Item 711, which is a general residual class under which waterproofing compounds would fall. The rates of duty under these items which have been unchanged for a considerable period are as follows:

<u>Tariff Item</u>	<u>British Preferential Tariff</u>	<u>Most- Favoured Nation Tariff</u>	<u>General Tariff</u>
192 Tarred paper and prepared roofings (including shingles)	15 p.c.	22-1/2 p.c.	35 p.c.
192a Roofings and shingles of saturated felt	Free	22-1/2 p.c.	35 p.c.
711 General	15 p.c.	20 p.c.	25 p.c.

CHAPTER III

ASSOCIATION OF ASPHALT ROOFING MANUFACTURERS

1. Membership

The manufacturers of asphalt and tar roofings have had a trade association for a great many years, probably since 1922 or even earlier. Since 1949 the Association has been known as the "Asphalt Roofing Manufacturers' Association" and prior to that year as the "Asphalt Roofing Manufacturers of Canada". In making returns of information to the Director of Investigation and Research, manufacturers were asked to indicate for what periods they have been members of the Association but all did not give precise dates. Although not indicating when the Association had been formed, Building Products and Currie reported membership in it from its inception. Dominion Tar indicated that Murray and Canada Roof have been members since 1924. Brantford indicated that it had been a member since before 1932. Barrett reported that it had been a member continuously since 1942, but other evidence indicates that it had also held membership until 1934 when it ceased officially to be a member. In the intervening years Barrett retained its association with the group of manufacturers and its participation was described by L. F. Long, at that time an official of Barrett, as follows:

"I do not recall whether it was an official resignation even, but they moved on to a basis of making a contribution rather than paying fees and we did attend meetings more or less regularly, yes."

(Transcript, p. 211)

The minutes of the Association do not record the attendance of representatives of Barrett at meetings during the period when it was not officially a member. Toronto Asphalt Roofing Manufacturing Company, Limited was a member of the Association prior to its acquisition by Canadian Gypsum in 1935 and membership has been continued since that year until July 3, 1953, when Canadian Gypsum withdrew from the Association. Sidney reported membership in the Association but did not indicate when it first became a member. Other evidence indicates that it has been associated with the group of manufacturers since the early 1930's. Bishop has been a member of the Association since its incorporation in 1945 and its predecessor, Bishop and Sons, Limited had been a member. Carey reported membership in the Association since 1942, which appears to have been about the time it became an asphalt roofing manufacturer (ARA-122-5).

2. Form of Organization

The evidence indicates that the Association had at first a loose form of organization which gradually became more formal. It has always been an unincorporated body. A permanent Secretary was not appointed until 1934 and prior to that time an official of one of the manufacturers acted as Secretary. For the greater part of the period prior to 1934 for which minutes are available, D. P. Hatch of Building Products acted in this capacity.

The Association engaged G. M. Walker as a full-time Secretary in January, 1934, and he continued in that position until he left in August, 1940, to join the armed forces. His successor was C. H. Browne, who remained Secretary until his death on June 15, 1952. Since Mr. Browne's death, F. A. Young has been Acting Secretary.

A formal constitution of the Association was not adopted until 1949 when the name of the organization became the "Asphalt Roofing Manufacturers' Association".

For purposes of merchandising the members of the Association have divided Canada into four districts which, in recent years, have been defined as follows:

"DISTRICT #1 -- Consists of the provinces of Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland (separate sales policy), the Magdalen Islands, and the Island of Anticosti.

DISTRICT #2 -- Consists of the province of Quebec and all of the province of Ontario east of and including a line from Fort William and Port Arthur to Wagaming (Port Arthur, Fort William, and Wagaming are included in District #2).

DISTRICT #3 -- Consists of the provinces of Manitoba, Saskatchewan, and Alberta, Northwest Territories, and that section of the Peace River District including Dawson Creek, which lies in British Columbia, and that portion of Ontario lying to the west of but not including a line from Port Arthur and Fort William to Wagaming (Port Arthur, Fort William, and Wagaming lie in District #2).

DISTRICT #4 -- Consists of the Yukon Territory and the province of British Columbia less that section of the Peace River District including Dawson Creek lying

adjacent to Alberta which is included in District #3."

(ARA-18-4-3)

Only in the case of District #4 were arrangements made to have a local Secretary deal with matters of particular interest to the manufacturers with head offices or branches in that district. In 1938, an arrangement was made with R. V. Robinson, then Secretary of the British Columbia Division of the Canadian Manufacturers Association, to perform certain secretarial services on a part-time basis for the asphalt roofing manufacturers carrying on business in that district.

Mr. Robinson acted in this capacity until 1953 when the arrangement was discontinued.

No clear definition was given of the relationship between the Association and the local group in British Columbia, but the following description is found in a document prepared by the Secretary of the Association in 1948:

"Cooperation with the Pacific Coast - The British Columbia operators have always met as a separate group since they believe the problems west of the Rockies are peculiar to themselves. However, this office has always been in contact with the companies in that section and would hope to be in a position to continue to do so. Sidney Roofing and Paper Company Limited have signified intention to sponsor a National Constitution, but expressing the desire that they might continue a separate situation and small Pacific Coast office. They have also expressed intent to participate in the budget of this office since we are clearing information and tonnages for them on the Prairies."

(ARA-11-19-5)

3. Conduct of Affairs

The business of the Association has been conducted at general and special meetings and through the work of committees and of the Secretary. It appears to have been the practice for the various member companies to act, in rotation, as hosts for a meeting and an official of the host company would then serve as chairman for that meeting. The constitution adopted in 1949 formally provided for an Executive Committee to direct the general affairs of the Association, including the calling of meetings and the appointment of a chairman in rotation as far as possible for each meeting.

Throughout the period for which records of the Association are available, considerable dependence appears to have been placed upon committees. These might be more or less of a continuing nature or might be set up for a special purpose. A document from the

Association's files listed the following continuing committees as of November 29, 1951, and stated that special committees, as well, were organized from time to time:

Executive Committee
Freight Rate Committee
Freight Classification Negotiation Committee
Publicity Committee
Ottawa Committee
National Building Code Committee (Technical Committee)
Built up Roofing Committee
Contractor Public Relations Committee

(ARA-11-15)

Before the appointment of a permanent Secretary in 1934, minutes of meetings of the Association were prepared by the person who acted as Secretary at the meeting and sent to all concerned. The minutes of an Association meeting of March 27, 1934, contain the following reference to the duties of the Secretary:

"It is felt that the following would be a rough outline of the duties of the Secretary.

- (a) Keeping the official records, Minutes, etc.
- (b) Calling group meetings.
- (c) Revise Merchandising Plan when instructed by the group.
- (d) To prepare and publish a financial report annually or when required.
- (e) All other matters of service, interpreted in a broad way, that can properly be performed by the Secretary are to be undertaken by him, subject only to such limitations as may from time to time be made by the group at authorized meetings."

(ARA-261-49-3, 261-49-4)

In 1947, the Association retained legal counsel who has generally attended meetings of the Association. Mr. André Forget, Q.C. of the legal firm of Messrs. McMichael, Common, Howard, Ker & Cate, Montreal, has continued to act in this capacity. The manner in which minutes of meetings have been dealt with after the appointment of legal counsel was described in a letter dated September 18, 1950, from the Secretary to L. F. Long of Building Products as follows:

"I am attaching rough draft of the minutes of the general meeting at the Royal York last Wednesday and Thursday.

The custom has been for the Chairman of the Executive Committee to go over the draft, adding, deleting or changing as he may see fit and forward to Forget for final approval.

Forget then forwards to me for publication."

(BPL-76-1)

A further letter, dated November 28, 1950, from the Secretary to Mr. Long referred to the practice with respect to "Western Minutes" as follows:

"I am attaching rough draft of the Minutes covering the Winnipeg Meeting.

Would you be so kind, please, as to go over these, change or delete as you see fit and return them to me for publication?

Legal Counsel has never gone over the Western Minutes and, in common with past practice since this is so, Johns-Manville have always asked to have their name deleted as being in attendance."

(BPL-77)

Meetings of the Association have been held at various places in Ontario and Quebec. The Statement of Evidence indicates that the records show that normally one or two meetings are held each year in Winnipeg and that since the war only two meetings have been held in British Columbia. Although meetings of the Association held in Western Canada were general meetings they appear to have been regarded as well as providing opportunity for consideration of matters relating more particularly to Districts #3 and #4. The western meetings were attended by representatives of those manufacturers doing business in Western Canada although, as indicated by the Secretary's letter quoted above, there may have been other representatives present, on occasion, in addition to those recorded officially in the minutes. The local group in British Columbia also held meetings to deal with matters relating to District #4.

The activities carried on by the office of the Secretary of the Association included the publication and distribution of the Merchandising Plan drawn up by the Association and amendments; preparation and distribution of schedules for transportation charges as arranged by the Association and of bulletins and information about transportation charges generally; the collection, tabulation and distribution of information in connection with the operation of the plans for quantity rebates. The nature of the reports and material regularly sent out from the Association office, including some reports originally prepared outside the industry, was indicated in a list attached to a letter of August 20, 1951, from the Association office to a member. The list contained the following:

Freight Schedules
Merchandising Plan
Tonnage Requests
Rebate Qualifications
Annual Rebate List
Freight Rate Changes
C.M. & H. Bulletins
Requests for "Seconds"
Reports on "Seconds"
MacLean's Report
Production & Sales

(ARA-25-2-3)

The activities of the Association have embraced various matters which were not involved in the inquiry such as presentation of the industry viewpoint with respect to tariff protection and in regard to railway freight classifications and tariffs, collaboration with the Dominion Bureau of Statistics in securing comprehensive and early statistical information and so on.

CHAPTER IV

DEVELOPMENT OF INDUSTRY-WIDE PRICING SYSTEM THROUGH THE ASSOCIATION

1. Development of Common Basis of Pricing - the Merchandising Plan

(a) Period up to the Establishment of Wartime Controls

The practice of having a common Merchandising Plan for each of the four districts which are recognized in the industry appears to be one of long standing. The Merchandising Plan determines, in effect, the price structure of the industry from the viewpoint of terms and conditions of sale, scale of discounts, classes of customers, basis of transportation charges and any other factors which enter into the price paid by the purchaser. In fact, the Merchandising Plan, as it has been evolved in the asphalt roofing industry, appears to be designed to provide a structure of pricing which can be applied uniformly by manufacturers selling in the same district. Although the manner in which changes have been brought about was the subject of argument in the inquiry and there was obvious attempt in recent years to speak of "our" Plan as referring to an individual company rather than to the industry, the weight of the evidence indicates that the Merchandising Plan continued to be regarded as an industry matter. This is illustrated by the explanations given in a Barrett bulletin of January 2, 1950, written by J. M. Young, then a senior official of the company. This bulletin, which dealt with the 1950 Merchandising Plan for Districts #1 and #2, reviewed the experience with earlier Plans and gave the reasons for various changes. On the matter of the development of a Merchandising Plan, Mr. Young stated:

"Who is responsible for this Plan?" - No one individual person or Company has either the ability to conceive details of a Plan satisfactory to all concerned or the power to enforce its ideas if they are not generally satisfactory. 'Industry' Plans develop as much from non-concurrence [sic] with suggestions as much as from suggestions themselves. In this manner they become common to all, as the 'low man' (whose identity changes on each specific points) makes his views or intentions clear. The final result will always be a summarization of compromise."

(BCL-48-2)

Mr. Young went on to point out "Each Manufacturer differs with respect to organization set-up and method of coverage and his views on the function and relative importance of classes of trade and

types of account will vary from the next" (BCL-48-2-2), and that it was necessary to reconcile the varying interests to develop a Plan. In explaining the manner in which the Merchandising Plan had been developed, Mr. Young wrote in the bulletin that there were only two basic types of plan which could be employed in the distribution of asphalt roofing. These he described as the "functional" and "volume" types. Mr. Young made the following comments on the two types:

"(1) Functional Plan

Under this type of Plan, the functional inter-relationship of each individual account is appraised, determined and compensated, according to normal distributive movement - that is, from Manufacturer to Wholesaler to Dealer to Contractor to Consumer.

This is the original Plan under which roofing was distributed and when Barrett was one of only two or three Manufacturers in Canada. In those days it was not too difficult to recognize and segregate various accounts into their true functional category.

However, as additional Manufacturers came into the picture, there weren't enough legitimate functional wholesalers for everyone in every locality. As a consequence new 'wholesalers' were set up for pricing purposes alone, without regard to bona fide function and a recognized list of a dozen grew into one of several hundred bringing the inevitable breakdown of this type of Plan.

(2) Volume Plan

Under this type of Plan, a cost differential is established by discount or otherwise, for the purpose of merchandise in different quantities. There are two variants of this type of Plan which we will analyze [sic] separately -

(a) Single Purchase -

A typical example of this variant would be a carload and less carload Plan under which carload movement enjoys a lower price than less carload movement.

This is a simple and workable Plan if all manufacturing plants were located outside the metropolitan areas of greatest consumption so that a 'carload' could consist of a box carload, or at least a 10-ton transport load, but that is not the case with roofing.

Experience teaches that it does no good to define a 'carload' on paper, for pricing purposes, unless that 'carload' can move on a single bill of lading or delivery slip at one time. 'Carloads' of previously defined size

being too large to move at one time in metropolitan areas, this type of Plan was found wanting when tried.

(b) Cumulative Purchase -

This type of Plan can be recognized as the Plan we had for over 10 years up to and including 1948. It incorporated a scale of rebates earned by the attainment of a scale of quantities purchased in a stated period - the Roofing Year.

It had the merit from the distributor's point of view of crediting him with his total purchases (from all Manufacturers or Wholesalers).

While it also satisfied the volume purchaser who did not function as a wholesaler, it largely satisfied the wholesaler whose functional operations made him a volume purchaser, obviating the necessity for functional lists which could not be maintained.

By and large, it was a good Plan and an equitable one but, like any other, it did not satisfy everyone and, with the cessation of WP & TB controls, it was natural renewed efforts should be made to develop a Plan more satisfactory to a larger number."

(BCL-48-2-2, 48-2-3)

The outcome, according to Mr. Young, had been the development of a Plan which employed a combination of features of the functional and volume types. While the Plan for Districts #1 and #2 has been essentially a volume plan in terms of single order or cumulative purchases it has had certain pricing features related to the functional classification of the buyer. On the other hand, Plans for Districts #3 and #4, have been more on the basis of the functional type with certain provisions, at times, for quantity prices.

Merchandising Plans for Districts #1, #2 and #3 have been issued from the Association office in Toronto. The basic features of the Merchandising Plan in Districts #1 and #2 have usually been the same and the Plan has been published as a single document with special sections for any provisions which differed between the two districts. Plans for District #4 were issued by the part-time Secretary in Vancouver during the period when he was employed.

The year in which an industry-wide Merchandising Plan was first developed is not disclosed by the evidence but it appears that Plans had been used in Districts #1 and #2 for some years prior to 1933. Reference to earlier Plans was made in a document dated February 21, 1933 and apparently written by D. P. Hatch, then of Building Products:

"As we see the situation, we cannot but help be convinced that the Merchandising Plan in itself as now written is a reasonably satisfactory document. It has been evolved over a number of years of time and in it are embodied [embodied] the blood, the sweat and the best brains that our industry has been able to produce. Basically and fundamentally we cannot bring ourselves to believe that there is anything very much wrong with the plan itself. A similar plan has been in operation in our industry now for several years, and only ninety days ago, after many meetings, we reaffirmed the plan for the year 1933 with only minor changes. It is inconceivable to us that since that time there have [been] so many matters come up which would warrant basically changing the plan."

(BCL-39-29-10)

In the case of Districts #3 and #4 the earliest Plan shown by the evidence is one dated April 23, 1934 (BCL-38-1). This document sets out a Merchandising Plan for Districts #3 and #4 with separate sections for those features which differed between the two Districts. Apparently there had been an earlier Plan because the minutes of a meeting of the Association held in Winnipeg from April 24-29, 1933, contain the following paragraphs:

"Mr. Gaffney, of the Canadian Johns-Manville Company, at considerable length reviewed and explained the proposal re merchandising plan on roofing products for Districts Nos. 3 and 4, which proposal had already been reviewed by the Western Group of Operators, and bore the stamp of their approval.

. . .

As a result of the discussions which took place at this meeting, the proposed Merchandising Plan as placed before our Group by the Western Operators at the beginning of our meeting, was duly O.K.'d in practically all particulars, some revisions in the wording being made under some sections."

(BCL-38-11-2, 38-11-4)

It has already been mentioned that later on, separate Merchandising Plans were issued for District #4 by the local group in British Columbia.

The evidence makes clear that the settlement of a Merchandising Plan for each year's operations was one of the major activities of the Association and discussions might be carried on for extended periods, in some cases, before all the details were settled. It appears to have been the general practice to have the Merchandising Plan settled as far in advance as possible of the spring building period

but if changes were found necessary during the year, amendments would be prepared and the revisions sent to the manufacturers.

Up to about 1938, the regular minutes of the Association contain extended references to discussions in regard to the Merchandising Plan, but beginning in 1938 the minutes cease to record the detailed discussions although such discussions continued to take place. Further reference will be made to this change at a later stage in this report but the fact that it occurred gives more significance to the record of discussions in the earlier period. It is not necessary to review the early minutes in detail but some excerpts will be given to indicate more clearly the manner in which a Merchandising Plan was developed for a roofing year.

The following extract is from the minutes of a meeting of December 1-2, 1931, which, it will be recalled, was before the appointment of a full-time Secretary:

"6. A number of changes and amendments in the merchandising plan were discussed, and adopted. Note of these was taken by Mr. F. P. Turner of the Toronto Asphalt Roofing Manufacturing Co. Limited, who is going to prepare new sections of the merchandising plan in which the corrections and changes adopted are to be incorporated. The corrections and changes made were not of major import, but it was felt that from the standpoint of clarity and conciseness, that new sections should be prepared which Mr. Turner is going to be good enough to undertake to prepare and distribute to the various members."

(BCL-40-39-5)

A question of selling practice is referred to in the following extract from minutes of a meeting of January 7-8, 1932:

"9. The basis of selling catalogue houses was brought up for discussion. Since none of the members present had any particular recommendations to make or particular points to raise in this connection other than to continue to rigidly follow our merchandising plan, the matter was then dropped."

(BCL-40-34-4)

The minutes of meetings in 1933 refer to what are termed "infractions" of a manufacturer's price structure or of the Merchandising Plan and indicate that efforts were made to clear up deviations. The following is contained in the minutes of a meeting of April 6-7, 1933:

"4. Every manufacturer present stated that in certain cases his Company had some infractions either of the Merchandising

Plan or of his own price structure, or of his own wholesale lists, and all manufacturers felt that it would be highly desirable to clean up such infractions immediately; each manufacturer present stated therefore that his Company would accept no new orders after today which would be an infraction either of his own wholesale lists, an infraction of the Merchandising Plan itself, or of his own price structure. Each manufacturer stated also that any orders on file with his Company at the present time which were 'infractionary' orders would be shipped within thirty days from the date of the order, or advanced to the proper prices of his company or cancelled, and furthermore that all infractions would be cleaned up by his Company not later than May 1st., 1933."

(BCL-39-26-10)

The evidence indicates that there were occasions when some manufacturers considered it necessary to modify their selling policies because the provisions of the Merchandising Plan were not being observed fully. In a report to the parent company in the United States on October 4, 1935, F. B. Gibbs of Canadian Gypsum (Toronto Asphalt Roofing Manufacturing Company, Limited) wrote:

"Roofing. The roofing market is soft due to special prices at 20% under lowest published discounts, also wholesalers extending low prices to dealers in order to obtain quantity rebates on their year's business. We are feeling the direct and indirect competition of these prices. The broad discounts allowed in roofing make it difficult to secure a decent percentage of business in the high brackets. The constant controversy between retail and wholesale policies, with a large number of dealers on the wholesale list results in a constant disturbance of local markets, and during the last quarter jobbers dominate the market by using their quantity discounts for larger rebates. In order to protect our establishment we have withdrawn all commitments to the industry. This action has caused the members great concern, fearing an open market as the result of their infractions which are not made public."

(CGC-17-3)

The minutes of a meeting of October 8-9, 1935, contain the following reference to this action:

- "2. The Toronto Asphalt Roofing Co. Limited explained their reasons for having withdrawn their commitments. At the same time they emphasized the fact that it was their desire to give full consideration to a new Merchandising Plan for 1936 that would carry with it complete adherence to its principles by all concerned, including themselves."

(ARA-261-20-2)

The working out of a Merchandising Plan for 1936 extended over several meetings during some months. The minutes of a meeting of November 14-15, 1935, contain the following:

- "6. The Brantford Roofing Co. Limited announced that provisionally they would withdraw their commitments to the group, pending a settlement of outstanding issues in connection with the 1936 Merchandising Plan and accompanying policies."

(ARA-261-17-2)

The minutes of a meeting of November 20-21, 1935, record:

- "5. The Meeting opened with a general discussion of the alternative plan put forward by Messrs. Alexander Murray & Co. Limited, and occupied most of the morning. The Canadian Johns-Manville Co. Limited announced that it was absolutely impossible for them to accept the alternative plan with the fill-in privilege incorporated therein. They felt that they could accept the plan put forward at the last meeting of the group, copy of which is attached to these Minutes, or their alternative would be put in their own plan for their own business on a straight C.L. and L.C.L. basis.
6. The remainder of the day was spent in an effort to reconcile the differences of opinion of all concerned but without success. As a final suggestion, therefore, and in an effort to break the deadlock it was decided that the next meeting of the group would take place in Mount Royal Hotel, Montreal, on Tuesday, December 3rd, In the meantime, a special committee consisting of Mr. W. R. McNeil and Mr. C. M. Thompson will take whatever steps they feel are necessary to effect a solution of the problem and achieve a common Merchandising Plan by working with all interested parties.
7. A definite commitment was given by every company in the group that until the next meeting on December 3rd, an absolute moratorium on all 'Seconds' and Obsolete Lines would be observed, i.e. absolutely no sales whatever to any class of trade or to consumers."

(CGC-1-1-2)

A compromise settlement of a Merchandising Plan for 1936 appears to have been reached at a meeting of December 3-6, 1935 (ARA-261-15).

In a report to its parent company in Chicago on February 6, 1936, Canadian Gypsum said:

"The Canadian Roofing Industry adopted new policies in December and salesmen are travelling under the Winter booking

plan with prepaid discounts. Large buyers, who have qualified for quantity discounts and Winter discounts, are now underquoting small dealers, resulting in a soft market. No roofing has been consumed during the Winter months and all companies are operating at a loss. Recent information gathered indicates that no one profited in the roofing business during 1935. Profits were shown but were earned in side lines. Roofing prices are the same as last year under a new merchandising policy."

(CGC-17-2)

Later in 1936 differences in view appear to have arisen about the Merchandising Plan.

The minutes of a meeting June 9-10, 1936, refer to discussions of various proposals for changes and then states:

"25. In view of the fact that it had proved impossible to achieve any common ground for amending the present Merchandising Plan, discussion then took place as to the exact method upon which the group would operate until such time as a more satisfactory arrangement can be achieved. The final conclusions arrived at were as follows:

- (a) General observance of the existing plan will continue.
- (b) Any change in general policy or plan by any Manufacturer will be published to all other Manufacturers and to the Secretary."

(ARA-261-7-8)

The minutes of the same meeting record the following at an intermediate stage in the discussions:

"11. At this point the desirability of having a common Merchandising Plan for the Industry was discussed and a unanimous expression of opinion revealed that all Manufacturers felt that this was the practicable and sensible method upon which to operate."

(ARA-261-7-5)

Further references to the 1936 Merchandising Plan are found in the reports to the parent company of Canadian Gypsum later in the year. A report dated October 7, 1936, stated:

"Roofing. The 1936 merchandising plan has not been taken seriously by any of the manufacturers. All competitors have been selling with under cover prices, using carload brackets for L.C.L. service with various discounts, and specials, obsolete lines and seconds thrown in at various low price levels. J. M. published

new prices October the 1st, dropping all products from the L.C.L. to carload level, continuing carload discounts and other discounts as published. This action suggested immediate discussion of a new merchandising plan to end all obligations and firm up the market. I have submitted my idea of a workable plan for 1937 and will discuss the subject further, after learning the attitude of others in this business."

(CGC-17-1)

A report dated December 5, 1936, contains the following:

"Roofing. Following price reduction on October 1st by J.M. roofing prices have continued irregular with preferential discounts and dealers cutting price to attain quantity rebates under Industry plan. All manufacturers report increased volume but unsatisfactory profit. Pressume [sic] of low price brought about a new merchandising plan - reduced discounts, elimination of jobbers, all classes of trade allowed quantity discounts in place of functional discounts. Amount of discounts reduced, elimination of extra Winter discounts, standardization of products, freight equalization plan, which it is believed will bring about harmony and a more profitable operation."

(CGC-18-3)

General acceptance of a Merchandising Plan for 1937 for Districts #1 and #2 appears to have been secured at a meeting of November 30-December 3, 1936. The minutes for the first day of the meeting contain the following:

- "1. At a preliminary meeting consisting only of the Executive Heads of all companies, discussion took place as to the best method of conducting the general meeting. From the discussion emerged the following facts.
 - (a) For the 1937 Merchandising Plan on Class A Products (Asphalt Shingles and Sidings) and Class B & C Products (Roll Roofings, Sheathings, etc.) the principle of a C.L. and L.C.L. basis was accepted.
 - (b) Subject to reaching common ground on the 1937 Merchandising Plan all firms undertook to establish close adherence to the principles of such a plan, including complete publicity in connection therewith. It is understood, of course, that each Manufacturer reserves the right to withdraw such commitment at a regularly called meeting of the group by proper announcement.

(c) It was established very clearly that no running commitments existed that would prevent proper acceptance of a new Merchandising Plan for 1937."

(ARA-261-2)

The minutes of the general meeting which followed, state:

"3. . . . In the ensuing discussion many alternatives were canvassed with the result that it was felt that the Service Commission Plan would offer too many obstacles to allow of the group reaching common ground. It was felt that the Quantity Rebate Plan would probably be the only feasible way out. The principle of a fill-in on a basis higher than that of the C.L. quantity having been accepted by all firms, many plans, with varying spreads were gone into at length.

Finally, distinctly on a compromise basis, the following plan

On Class A Products (Asphalt Shingles and Sidings) was

accepted by all firms.

Class A Products

DISTRIBUTOR

(Dealer and Wholesaler):	L.C.L. 100%	<u>Quantity Rebate</u>
etc.	Fill-in 97-1/2%	District #2-6%-600 squares
	C.L. 95%	District #1-6%-400 squares
	No Wholesale Lists"	

(ARA-261-2-2)

A report of Canadian Gypsum dated January 9, 1937, to its parent company contains the following:

"Roofing. Roofing prices increased 6%, all products, effective January the 1st with shipments to January the 10th. Wholesalers offering extended booking on old prices from warehouse stocks purchased, which is disturbing the market. Roofing wholesale classification eliminated. All classes of distributors on equal basis earning discounts from volume purchased. Transportation charges, including trucks, stabilized by establishing truck rates at 8¢ under carload rail rates, Quebec and Ontario."

(CGC-18-4)

A meeting of the Association was held in Winnipeg from March 15-20, 1937, when the Merchandising Plan for District #3 was gone over in detail. The following note appears at the conclusion of

the minutes of this meeting:

"NOTE: In considering the foregoing Minutes it should be remembered that throughout the discussions all manufacturers, while having very decided opinions on some of the matters brought before the meeting, at times made considerable concessions as a measure of compromise, without which no effective plan could have been achieved."

(ARA-77-7)

The minutes of Association meetings later in 1937 record that discussions were held as to the legal aspects of the Merchandising Plan. The following appears in the minutes of a meeting of June 24-25, 1937:

"2. With the Senior Executive Officers of all companies only present, a discussion took place in regard to many items affecting the operations of the group. It was stressed by all firms that it was their intention both individually and collectively to operate within the strict letter and spirit of the laws of Canada. Particular reference was made to the desirability of securing immediately, legal opinions that would serve as a guide to any amendments now made necessary in the Merchandising Plan of the Industry to avoid any possibility of criticism or complications of a legal nature. Immediate action is to be taken in this regard with a view to consideration and definite decisions being made at the earliest possible moment."

(ARA-81)

It will be noted that the reference in the minutes is to "the Merchandising Plan of the Industry".

The question of legal aspects was referred to again at the next meeting of July 13-14, 1937, as indicated in the following extract from the minutes:

"3. At this stage it was decided to turn the meeting into a purely informal one and devote the time to a full discussion of all aspects of the existing Merchandising Plan, consider proposals for possible minor changes in the immediate future and also preliminary suggestions towards effecting a more generally acceptable Merchandising Plan for the 1938 Roofing Year.

Subsequent discussion revealed the fact that at this time unanimous approval of any changes to the 1937 Plan could

not be obtained.

Careful consideration, however, is to be given by all firms to the Fill-in Privilege, sections on Quantity Rebates, the Freight Equalization sections and other less important clauses at present in the Plan.

It seemed to be the unanimous opinion of all manufacturers that the preliminary steps already taken to give earnest considerations to legal aspects of the situation should be continued and pursued to a conclusion at the earliest possible moment with the idea of making any necessary alterations when all essential information is available.

It was reiterated by all manufacturers that the operations of the group and the covering Merchandising Plan must accord in every respect with the laws of Canada in spirit and fact."

(ARA-82, 82-2)

Further reference to the same matter appears in the minutes of a meeting of October 28, 1937:

- "6. A long discussion took place in regard to merchandising problems with their attendant legal ramifications. It was again emphasized by all firms that the letter and spirit of the laws of the Dominion must be adhered to in any proposals for a 1938 Merchandising Plan. The merits and demerits of various features of merchandising were canvassed at length.

As a result of the foregoing discussion, it was felt that individual consideration must be given to certain features of any 1938 Merchandising Plan and the discussion was accordingly terminated with the thought that it could be resumed at the next meeting."

(ARA-84-2)

There were later meetings in 1937 on November 4-5, and December 7-8, the minutes of which indicate lengthy discussions of the Merchandising Plan for 1938 and considerable divergence in view among the manufacturers which was not resolved at the meetings.

The minutes of meetings from this time on do not contain details of discussions about the Merchandising Plan. The Minutes of a meeting of January 6-7, 1938, make the following brief mention of discussions relating to this matter:

- "2. A general discussion took place covering merchandising principles in detail.

. . .

13. Mention was made by all manufacturers of the principles underlying their own individual merchandising Plans for 1938, including Winter Booking Plans."

(ARA-87, 87-3)

In his appearance before the Commission, G. M. Walker, who was Secretary from 1934 to 1940, made the following statement about the preparation of the Merchandising Plan:

"The plan, together with amendments thereto, was compiled following instructions from The Group, and under direction of the Merchandising Plan Committee, and was issued from the secretary's office to the various manufacturers."

(Transcript, p. 2184)

He said that this statement was applicable to all the years during which he served as Secretary:

"Q. You make that as a general statement applicable to all of the years in which you served?

A. I believe that is correct, yes.

Q. There is no distinction, I take it, between your work in the preparation of the plan, say in 1937 and 1939?

A. I don't think so. So far as my end, there was no great change. There was a difference in the discussions regarding the plan."

(Transcript, p. 2184)

At a later point in his evidence he again stated that there was no marked change between the period prior to 1938 and that afterward:

"Q. At a certain time in each year you prepared a document which purported to be a Merchandising Plan of each and every company within the Association; is that not so?

A. I reported, I prepared under the direction; it was under the direction of either the meeting as a whole or a group, changes that were being incorporated, and I issued a plan.

Q. So when you produced that sheet which is headed 'Merchandising Plan, 1939' that was produced at the direction of the group?

A. I presume so. It was not produced -- let me make that perfectly clear -- at my own direction.

Q. Just to clear up another point from which we have been sidetracked. I suggested to you a moment ago that until the plan for 1937 was finalized there was considerable argument about the basic type of the plan; that is, not that this rebate be up or down, but rather whether this rebate would be used at all or whether you would have one price for any quantity and so on and so forth; is that so?

A. We heard them by the dozen; every kind of plan. This never struck me the way it does others perhaps. This is all very old to me now. But the significance of the tremendous gap between 1936 and 1937 and 1938 and 1939 does not appear to me. There was no marked change. It might appear so on paper, but actually it was specifically just simply differences of opinion, differences of ideas."

(Transcript, pp. 2189-2190)

The following comment on the fact that the minutes ceased to record discussions of the Merchandising Plan was made by Mr. André Forget, Q.C. during his argument:

"The Director knows that from that point on there were some changes because the recording minutes and Mr. Walker's testimony is to the effect that about that time discussions became very much abbreviated.

One must not lose touch with this fact, that discussions on the Merchandising Plan did not have to be reported in the minutes, because they were circulated by the secretary in the form of a bulletin or a charge sheet, or perhaps a whole new Merchandising Plan. So there was no point in putting both in the minutes and in the bulletins the same information, and of course there was the possibility existing of conflicts between the two versions."

(Transcript, p. 2546)

A meeting of the Association was held on January 11-12, 1938, but the minutes do not record any discussion of the Merchandising Plan (ARA-88). However, in a report to its Chicago office on February 4, 1938, Canadian Gypsum stated:

"The new Merchandising policy on roofing products is out on last year's L.C.L. prices with 5% Winter discount on January shipments."

(CGC-18-2)

In addition to the change in policy at this time with respect to recording discussions of the Merchandising Plan in the minutes, there also appears to have been a change in the wording of the preamble which had appeared in the Merchandising Plans up to 1937. The preamble up to this time was a lengthy one in much the following form, which appeared in the 1937 Plan for District #3:

"The Asphalt Roofing Manufacturers in Canada have approved of the plan described in the following pages as a method of merchandising.

This plan has as its object the distribution of tarred and asphalt roofing products in increasing volume through suitable channels of trade, so that they may be placed in the hands of consumers under conditions acceptable to them.

The plan aims to develop a trade practice from which secret rebates, secret concessions, or secret allowances of any kind, misrepresentation, commercial bribery, misleading advertising or other descriptive matter, joint trade action purposed unjustly to exclude any manufacturer, merchant or product from a market or selling at uneconomic prices for the purpose of injuring competitors, will be eliminated.

It provides generally that terms of sale and prices shall be open and strictly adhered to, buyers thus being assured of freedom from discriminatory prices.

It is the custom in the trade for each manufacturer to prepare and publish his own price list. These price lists are distributed generally to all classes of trade interested in the production, distribution and use of asphalt roofing products. The terms of sale indicated in these price lists are to be adhered to while such lists are effective. Prices may be varied at the will of each manufacturer, subject to declaration by the issuing of a new price list to the trade, [to other manufacturers and to the Secretary].*

The products of the industry are distributed largely to consumers through dealers and roofing contractors, and in many cases to dealers through wholesalers. More or less uniform differentials between wholesale and dealer prices are prescribed in price lists sufficient to provide a reasonable basis of payment for services rendered by wholesalers who carry stock for sale to dealers. It is expected that wholesalers will co-operate with manufacturers by quoting

* The words in the brackets were added in ink on the original document.

the dealer prices prescribed in the manufacturers' price list. It is also expected that wholesalers will co-operate with dealers by refraining generally from making sales to consumers, but when circumstances make such sales necessary or desirable, it is expected that the wholesaler's price advantage will not be used to the disadvantage of dealers.

Provision is also made for the equalization of freight charges between production points and destinations, thus leaving to buyers freedom of choice in the products they desire, regardless of proximity to points of manufacture, and also in order to stimulate competition rather than to restrain it.

The equipment necessary to produce tarred and asphalted roofing products represents a substantial capital investment. Prices are based on the reasonably constant use of this equipment. Volume of production and distribution are essential to maintain employment, earn interest on the capital invested and provide a reasonable reward for services rendered by distributors within the limitations of the prices at which these products are offered to consumers.

During the past twenty-five years tarred and asphalt roofing products have enjoyed a splendid reception in the market. This favourable reception has led to the expansion of the industry and the introduction of variety in design and quality. The industry looks forward to extending its services to consumers in co-operation with distributors by thus stating a policy designed to eliminate from distribution practices which are wasteful and when followed place a burden upon the public."

(ARA-69-3-6, 69-3-7)

The only copies of Plans included in the evidence from 1938 to the postwar period are for Districts #3 and #4 and these have the following preamble:

"The ? have formulated the plan described in the following pages as a method of merchandising.

This plan has as its object the distribution of tarred and asphalt roofing products in increasing volume through suitable channels of trade, so that they may be placed in the hands of consumers under conditions acceptable to them.

The plan aims to develop a trade practice from which will be eliminated secret rebates, secret concessions, or secret allowances of any kind, misrepresentation, commercial bribery or misleading advertising. In other words it is designed to promote open but fair competition."

(ARA-69-4-3)

The references to the Merchandising Plan in the minutes of meetings from 1938 on must be considered in the light of Mr. Walker's evidence that there was no marked change in the way details were settled. The minutes of a meeting of October 20-21, 1938, contain the following:

- "15. A general review of current market conditions took place with all manufacturers expressing a fair degree of satisfaction with the results achieved during 1938.
16. Brief mention was made of individual 1939 Merchandising Plans including possible refinements that seem desirable for some classes of products. It was again emphasized that plans which work in Ontario are not always entirely satisfactory in Quebec and the Maritimes and vice versa. The operation of the various Freight Plans during 1938 appear to have given general satisfaction."

(ARA-94-4)

Further reference to 1939 Plans is contained in the minutes of a meeting of November 17-18, 1938, as follows:

- "3. Throughout the meeting various manufacturers expounded their ideas and preliminary thoughts on the principles of their own 1939 Merchandising Plans. Most firms felt that in 1938 their individual plans on Class D and E Products had worked out very well indeed. A considerable variety of opinion was presented, however, in regard to the various plans on A, B and C products.

In general, the various Freight Plans had proved satisfactory and most manufacturers seemed to feel that they would make few changes, except in minor details, for 1939."

(ARA-95)

While the minutes do not record the various points discussed, there is an attachment, consisting of three pages, setting out possible alternatives for 1939 Merchandising Plans.

The minutes of a meeting of December 7-9, 1938, indicate that further discussions of Merchandising Plans were held, although no reference is made to their nature:

- "13. During the three days a long discussion took place on business conditions in Canada in general, also merchandising problems that face the Industry in 1939."

(ARA-96-2)

A document bearing the date, December 9, 1938, and entitled "1939 Merchandising Plan effective January 2, 1939", is attached to these minutes.

The minutes of a meeting in Winnipeg on January 5-9, 1939, make the following reference to Merchandising Plans:

- "1. During the five days of the meeting a full discussion took place on general Merchandising Problems in Western Canada. It was the consensus of opinion that the individual Merchandising Plans of the various companies during 1938 had worked out satisfactorily except in minor details, in District #3, at least."

(ARA-97)

The evidence contains very little information in regard to Merchandising Plans for the period from 1939 to the removal of price controls in the postwar period. Some correspondence in the exhibits during 1940 indicates that the Merchandising Plan continued to be regarded as an industry matter. In a letter of June 24, 1940, W. D. Moffatt of Murray wrote to the Secretary:

"Will you please give us your interpretation of our Quantity Discount Plan when the account does business in two districts, namely, 1 and 2, but so far has only been able to qualify in District No. 2.

It is our understanding that the Merchandising Plan is quite clear when accounts overlap in Districts 2 and 3. This happens particularly around the head of the Lakes where purchases from one district go to qualify in the other, and vice versa.

We have never been clear as to whether this same practice can be followed in Districts 1 and 2, or not.

We have an account which qualifies in District 2, but which also makes purchases in District 1, yet not sufficient to earn discounts. So far we have not granted the discounts on the latter, but feel there is no sound reason to avoid doing so."

(ARA-202-8)

In a reply of June 25, 1940, the Secretary stated:

"Acknowledging your letter of the 24th instant, I shall be very glad indeed to go into the matter of quantity rebates in greater detail with you tomorrow but, in the meantime, I would set out for you my interpretation of the intention in regard to

Merchandising Plans for Districts, #1, #2 and #3.

- (1) In the first instance, the total purchases of a firm in all three districts are computed.
- (2) On that portion of the total shipped by you into District #1, the rebates for District #1 will apply.
- (3) On that portion of the total shipped by you into District #2, the rebates for District #2 will apply.
- (4) On that portion of the total shipped into District #3, the rebates for District #3 will apply.

In explanation of the foregoing, you could take as an example, a purchaser at Saint John, N.B. buying 300,000 lbs. of Class B & C Products - on this he would receive a quantity rebate of 15%.

A similar purchaser of 300,000 lbs. at Montreal, Que., would receive 10% quantity rebate.

Assuming that the purchases of 300,000 lbs. were made by a firm located at both Montreal and Saint John, N.B., half being shipped to each point, by you, the rebate that would apply would be as follows:

On that portion shipped by you into District #1 - 15%
On that portion shipped by you into District #2 - 10%

I think that the only satisfactory way to clear this in detail would be to do so by personal conversation as there are a number of kinks in it and it would seem to me that the time is pretty well approaching when the various Merchandising Plans have become sufficiently involved to satisfy even the most exacting roofing manufacturer. Certainly, anybody who can successfully interpret both the letter of the law and the intention, is mighty nimble."

(ARA-202-7, 202-7-2)

It will be noted that in the letter of June 24, Mr. Moffatt spoke of "our Quantity Discount Plan". While "our" might be taken to refer either to an individual company or to the industry it is clear from Mr. Walker's letter and from the evidence that he gave to the Commission (p. 2226) that his reply had reference to the Merchandising Plan issued from the Association office.

The same practice of referring to the Plan as that of an individual company but regarding it as a matter of industry-wide

application is indicated in other correspondence in 1940. The following is contained in a letter of July 26, 1940, from S. M. Barclay of Building Products to the Secretary:

"In looking at price application page 13 of my roofing plan today I noted that discounts to the above classification still read 'Distributor price, less 10%'. I immediately thought that probably there was a revised page 13, which I had not received and I asked other people in our Sales Department if they had such a revised page and the answer was no.

I then called both Barrett Company and Murray to find if they had revised pages and they said no, but they assumed that the discount on felt for instance, to this classification of trade, would now be 15% instead of 10%. Is this as per your understanding and, if so, will there be a new revised page on price application Class D products issued."

(ARA-201-11)

In a reply of July 29, 1940, the Secretary wrote as follows:

"Many thanks for your note of the 26th instant. I am issuing to-day an amendment to the Price Application Sanction [Section] covering a change on Class 'B' Products 'Felts' in District No. 2.

In the confusion of the last month in this office this matter has been entirely overlooked."

(ARA-201-12)

The question whether to hold a meeting of the Association between Christmas Day and the end of 1940, or to wait until after the beginning of 1941 was given very serious attention in connection with the Merchandising Plan for 1941 and a meeting was eventually held on December 27. Writing to the Association Secretary in regard to the date of the meeting, A. H. Marden of Murray stated in a letter dated December 16, 1940:

". . . There is no reason whatever why any booking plan or any new merchandising plan cannot be made effective, say on the 15th of January, just as well as on the 1st. . . ."

(ARA-202-1-3)

The same view was expressed in a letter of December 17, 1940, from D. P. Hatch of Building Products:

"We don't have to start a Merchandising Plan on January 1st, or anything of the kind. Mid-January is plenty of time."

(ARA-201-3-2)

Replying to Mr. Marden on December 17, the Secretary stated that he had been in touch with officials of other companies who expressed strong wishes for a meeting on December 27. His letter went on:

"I feel that the seriousness with which these men discussed this matter with me will preclude too much of a jovial manner in approaching the meeting on the 27th. They all feel, and I know you do too, that the industry has many serious and contentious problems to face right now and through the next full year. The consensus of feeling is that if a meeting were left until after the first of the year somebody certainly would be in the field with a booking plan of their own."

(ARA-202-1)

In a further letter of December 18 to the Secretary, Mr. Marden wrote:

". . . I cannot believe there is anyone in our Group who is so mean, or is such a poor sport, that they would threaten the Group with a booking plan or individual action provided the meeting was not held as previously arranged on the 27th. . . ."

(ARA-202-1-2)

The Secretary replied to Mr. Hatch on December 18. His letter contained the following:

". . . The consensus of opinion is that if a meeting were left until after the first of the year somebody certainly would be in the field with a booking plan of their own, making it imperative for everyone else to meet it. . . ."

". . . Another matter, which may require a closed meeting, is the evidence of faith of one manufacturer in another. There has been some slippage from the rules, more especially during the last month or so, and if the Merchandising Plan for 1941 is to be even remotely successful, these matters should be cleared before any field organization goes out, let us say even on January 6th. . . ."

(ARA-201-3)

The minutes of a meeting held in Winnipeg on February 11-16, 1941, indicate that there was discussion of merchandising problems. The reference in the minutes is as follows:

"2. The meeting was devoted to a thorough discussion of merchandising problems in District #3, with attention being given to difficulties that had appeared during 1940. Some slight discussion took place with regard to conditions in District #4. Considerable time was devoted to a full discussion of the various aspects of merchandising roofing products, such as, the merits and demerits of quantity rebate plans, service commissions, c.l. and l.c.l. basis of freights, B.U.R. products, etc. It was felt by all concerned that the varying conditions in such a large area as District #3 called for much ingenuity in handling distribution problems."

(ARA-112)

That a Merchandising Plan for District #3 was issued is indicated by correspondence between the Patent and Licensing Corporation of New York and the Secretary. Patents, although presently not an important factor in the industry, were of some importance in earlier years, particularly with respect to certain types of shingles. Control of the patents was held by the Patent and Licensing Corporation of New York. On this occasion the Patent and Licensing Corporation wrote the Secretary on March 26, 1941:

"On page 12 of your Merchandising Plan for district No. 3 you indicate, 'This service commission rebate of 10% from the dealer price is as per the current ruling of The Patent and Licensing Corporation.'

For your information our Merchandising Plan in Canada, except for export, was to all intents and purposes withdrawn January 8, 1934, and Minimum Prices established which, I believe, are much below those currently in effect."

(ARA-129-5)

In a reply dated March 28, 1941, the Secretary wrote:

"Thanks very much indeed for drawing my attention to the clause on page #12 of the Merchandising Plan for District #3.

The rough for the re-writing of this plan was made at a meeting in Winnipeg and, undoubtedly, after battling for ten days and going over the wording of the plan the boys were a trifle tired."

(ARA-129-4)

On the outbreak of war in September, 1939, the manufacturers offered their cooperation to the Government in arranging a system

of allocating orders for defence purposes. An arrangement was made with the War Supply Board which later became the Department of Munitions and Supply under which the Secretary of the Association allocated orders received among the various manufacturers. This arrangement was continued throughout the war and for a period afterwards. It appears to have been terminated in 1946 but almost immediately thereafter a similar arrangement was made with Wartime Housing Limited which subsequently became Central Mortgage and Housing Limited. The arrangement with the latter government corporation appears to have continued until February, 1950.

The evidence does not indicate that the asphalt roofing industry was subject to direct wartime control until the overall price ceiling came into effect on December 1, 1941. At that time the Secretary of the Association, C. H. Browne, was appointed Administrator of Building Papers, Wallboard and Asphalt Roofing under the Wartime Prices and Trade Board and served in that capacity until the latter part of 1947. In connection with the programme of standardization and simplification developed by the Wartime Prices and Trade Board to ensure the most effective use of equipment and materials, the number of lines of asphalt roofing manufactured and the varieties within each line were substantially reduced during the war.

(b) Period After Removal of Wartime Controls

By January 13, 1947, price and other controls of the Wartime Prices and Trade Board were removed from most finished products of the asphalt roofing industry although controls were continued until a later date on some materials or semi-finished products. An official of Sidney had a telephone conversation with C. H. Browne on January 14, 1947, in regard to the removal of controls and made a memorandum of the conversation which contains the following:

"Insofar as Class A and B products are concerned, it is expected that at an industry meeting to be held this week for District #2 in Montreal, no increases in prices in these classes of products will be effected, unless the Oil Companies, institute a major increase in Asphalt prices. This is expected as of today from the Imperial Oil Company in the amount of \$2.00 per ton. Therefore how much an increase in Class A and B products will be effected cannot be told until the outcome of the eastern meeting is known."

(SRP-2-1)

Class A products in the industry classification consist of shingles and shingle sidings with a sub-classification of insulated sidings, and Class B products consist of roll roofing and roll-type sidings.

A meeting of the Association was held in Montreal on January 16, 1947. The last paragraph of the minutes of this meeting is as follows:

- "4. To enable the Secretary to pull together records on freight traffic, publicity and other committee matters, it was decided that the next meeting of the group should be deferred for several weeks, and to open, if possible, at the Quinte Hotel, Belleville, Ontario, on Tuesday morning, February 25th, and to carry on until all business matters has [sic] been brought to finality."

(ARA-190-2)

Some manufacturers increased the price of asphalt on January 17, 1947, following an advance in price by oil companies.

In a letter of February 20, 1947, to the Secretary, C. P. Wyman of Bishop made the following references to changes in prices of Class C products (sheathings, felts and building papers):

" . . .

Enclosed is copy of circular letter sent out in January following the Meeting in Montreal. The price changes listed in this letter apply only to 'Class "C"' products.

About two weeks ago we made some further changes,

. . .

[the letter then sets out prices for sheathing and felts]

The price increase on Saturated Felts is only considered as an interim move. We should have a higher price of about \$2.55 on 12# and \$3.10 on 15#, but felt we should see what happens at Belleville Meeting and therefore adopted a price in between as temporary relief.

. . ."

(BAP-7)

Prior to the de-control of the industry in January, 1947, arrangements were made to hold a meeting of the Association in Victoria, B. C. In a notice of this meeting, dated January 10, 1947, the Secretary wrote:

"While the meeting will proceed for as long as it is necessary, perhaps three days being set aside on District #3 problems, separately, Mr. R. V. Robinson, Secretary of the B.C. Group, is planning a meeting on District #4 problems

after the District #3 Meeting has been closed out. I believe plans have been made to hold this meeting on Friday, February 7th at The Empress.

While I have many items for the agenda, such as, W.P.T.B. de-control, of which we may have heard previous to the meeting, Sheathing and Building Paper supplies, Standardization, Quantity Rebate Plans, Freight Rates and Schedules, C.N.R. Bonds, Asphalt, gross or net, I believe practically everything to be discussed would be of intense major importance in view of possible de-control of the Roofing Industry."

(ARA-193-16)

The minutes of the meeting at Victoria from February 4 to 6, 1947, record that Sidney announced their price of asphalt by gross weight. The minutes also state that the Secretary reviewed the progress being made by the Freight and Traffic Committee and that there was discussion of quantity rebate plans. A notice of a meeting at Belleville, Ont. was sent out by the Secretary on January 24, 1947, in which he said:

"There will be a meeting of Asphalt Roofing Manufacturers of Canada at The Quinte Hotel, Belleville, Ontario, getting under way at 9.30 A.M., Tuesday, February 25, 1947. Since there may be problems on various matters arising, it may be necessary to run through to finality, which may take over the 26th and perhaps into the 27th and 28th if necessary. In view of the nature of the meeting, I would suggest that there be no host and you may want to rotate the chairmanship.

Some companies have asked me to express the view that business condition discussions should be finalized by a desire to adjust certain matters at the close of the meeting so as to avoid undue delay in letting these matters go forward again to the next meeting which may be five or six weeks on. To this point, it has been suggested that Chief Executives and certainly, Chief Sales Executives, be at this important meeting if final decisions are necessary."

(CJM-42-5)

In a letter of February 10, 1947, from C. J. Kirlin to W. G. Currie (both of Currie), the following reference to the proposed meeting at Belleville appears:

"Your letter with copy of request for reservation at the Quinte received. For various reasons I am anxious to have this meeting behind us, not the least is the possibility of adjustments in prices and corrections in plan, and in view of the

attitude of the others on road materials (your postscript)
I am hopeful [sic] that we will be able to do something
constructive."

(CPL-39-1)

The minutes of the Belleville meeting give the dates as February 25 to 28, 1947. The minutes consist of two pages and 5 numbered paragraphs, including the following:

- "4. Business conditions for 1947 in Eastern Canada were broadly discussed. Individual companies offered comments that, so far as could be seen now, they would be in a position to market successfully, with the support of their dealer organizations, all the tonnage they could produce in 1947. There was some comment, in this connection, on the worth of quantity rebates in enlisting sales support by all distributors, dealers, B.U.R. contractors, etc., etc. It was also expressed that this support was vitally necessary, more so now that the Industry was undertaking a publicity program, primarily to hold shingle volume."

(ARA-188-2)

Reporting on the meeting in a letter to his head office, E. W. Hammarstrom of Carey, wrote on March 5, 1947:

"A three-day industry meeting was held the last week of the month to consider actions to be taken in merchandising policy now that the industry is free of controls. The inequitable and outdated freight equalization plan will be overhauled and brought into line with present rates and conditions. This will effect some saving in absorptions. Quantity discount brackets will be modified. Most disappointing feature was to learn outside of meetings that two manufacturers - Building Products Ltd. and Toronto Asphalt Roofing Co. - are not considering a general price advance to compensate for increased manufacturing costs. The other eight, including Carey, believed that higher prices were fully justified to guarantee a reasonable return. Thus the hope of a general advance is nullified for the time being.

The only thing we can take independent action on is Roll Brick Siding. We are advancing our list price to \$3.90 from \$3.40, and limiting freight absorption on certain outlying areas. We are also moving Feltex prices up about 12% to match prices already announced by Bishop.

A follow-up meeting is scheduled for March 13 and 14 in Montreal to finalize changes in the industry plan."

(PCM-10)

Mr. C. J. Kirlin of Currie used somewhat blunter language in his report when writing to W. G. Currie of the same company on March 8, 1947:

"Blast BP anyway if it had not been for them we would have had an advance at Belleville.

Barrett don't intend to follow Carey all the way on Roll Brick. Their line will be class BB subject to maximum of 15% rebate and advance will be less than Carey's. As regards Tarred Felt they favor higher prices than what Carey have set on Asp. Felt and will do something about it regardless of BP or Carey."

(CPL-38-3-2)

In giving notice to the manufacturers on March 3, of the meeting in Montreal, the Secretary wrote:

"A number of companies stayed at Belleville through Friday, February 28th and re-vamped thoughts on some of their merchandising policies. These pages in your plan should be ready for going over in rough by the Committee which set them up at the same time the Traffic Committee meets on Tuesday, March 11th and undoubtedly will be ready for your approval on Thursday, March 13th."

(BRC-40-7)

A few days later, on March 6, the Secretary wrote to E. M. Cockshutt of Brantford:

"I am attaching re-stencilled roughs of changes in certain pages of your 1947 Merchandising Plan. I have sent these along to those companies who went over their individual pages at Belleville. I would think that on Tuesday, the 11th, when we meet on Traffic, I could review these pages previous to submitting them to others at the meeting on the 13th.

I will have sufficient sets for all individual companies who might want to review their own plans."

(BRC-24)

It will be noted that while the Secretary's letter indicates that changes in the Merchandising Plan were to be discussed at a meeting he used the wording "your" and "their individual pages"

although he was apparently sending out a common draft.

When price controls were removed the Government repeatedly emphasized that it retained the power to replace them if unjustified price increases should occur. It was also indicated that manufacturers generally would be expected to keep price increases to a minimum. It may also be noted that at the beginning of 1947, manufacturers of asphalt roofing expected a strong demand for roofing products throughout the year. The statistics of manufacturers' sales of asphalt roofing, given elsewhere in this report, show that in terms of quantities of asphalt roofing of all kinds, 1947 was a peak year.

Shortly after the removal of price controls, increases in prices of certain lines were made by some manufacturers but no general advance appears to have been made until May 1, 1947, when Building Products, Brantford, Carey and Murray issued new price lists for Districts #1 and #2. Similar advances were made by Johns-Manville and Barrett on May 5, 1947. In the case of Bishop and Canadian Gypsum the increases in prices were not put into effect until June 2, 1947. The evidence does not contain any information on the reason for the later action of Bishop, but in the case of Canadian Gypsum, a letter of April 30, 1947, from A. B. Wynne to F. B. Gibbs, both of Canadian Gypsum, sets out some factors relating to the operations of that company. The letter contains the following:

"The progressive decline in our gross profits during the past few months and anticipated substantial cost increases on dry felt next month suggest that we follow competition by increasing our selling prices. Since we will not feel the full impact of these cost increases until about June 1 and since abnormal weather plus production stringencies have resulted in maldistribution of our customer allocations, I recommend that our action be delayed until about June 1. In the meantime, we shall concentrate on shipments to those customers who have not yet received their quarterly allocations from us."

(CGC-9-2)

Later in his letter Mr. Wynne recommended that the Building Products move be followed and stated that higher selling prices would permit a winter booking plan in December. He then presented a table showing the gross profit on certain products if the prices and discounts of Building Products were followed. The last paragraph of the letter is as follows:

"I recommend present price of #3.60 on Rolbrik be maintained. This is one line where we lead the field. With four competitors about to enter production of Roll Brick, it seems to me we should keep our price level low enough to

influence them to delay production and turn their dry felt into items they believe more profitable."

(CGC-9-2-2)

Mr. Wynne's letter makes clear that he was aware of the details of the price increases which Building Products were putting into effect.

Price lists for District #3 of manufacturers doing business in that territory were also issued in May, 1947. The Statement of Evidence gives the following schedule of such price lists:

"Johns-Manville - Trade apparently notified May 9,
price list issued June 6.
Building Products - May 10.
Murray - May 12.
Canada Roof - May 15.
Sidney - May 15.
Barrett - May 19.
Brantford - Reports that 1947 price list not available."

The issuance of price lists for District #4 followed a pattern fairly similar in the case of those companies operating in both districts. The schedule given in the Statement of Evidence is as follows:

"Johns-Manville - May 11
Murray - May 14
Sidney - May 15
Canada Roof - May 15
Barrett - May 19"

Meetings of the B.C. group were held in March and April, 1947. Prior to the April meeting, P. W. Field of Sidney wrote to the Western Secretary as follows:

"On talking with Curly Gray, [Canada Roof] who was in Victoria yesterday, he suggested that we have a meeting in Vancouver on Wednesday next, April 2nd to discuss the whole price structure and by that time Bruce Hudson [Barrett] will be back.

This date is alright with us and if it is alright with you will you please advise by phone or wire just as soon as possible if it conforms with everybody."

(SRP-22-3)

After the meeting, on April 9, Mr. Field wrote to the Western Secretary as follows:

"We enclose herewith seven copies of proposed new prices that we plan on putting into effect on May 1st.

This is in accordance with our previous statement and would suggest that you discuss these changes with the various parties interested as arranged.

We would also suggest that if there should be any objections to any of these items that we be advised immediately so that they can readily be approved on April 25th, the date, we understood, that was agreed upon.

Would you also please check on this date as being the correct one for the meeting.

. . . "

(SRP-22-7)

From subsequent correspondence it appears that the Merchandising Plan was included in the discussion of the price structure at this meeting. A letter of April 16, 1947, from Sidney to the Western Secretary contains the following:

"Our Mr. Field has requested the writer to contact you on the subject of District #4 Merchandising Plans.

Mr. Field thought that the up-to-date plan may not be ready but perhaps you could supply us with a few copies of the old plan with the revisions on it which would be most useful.

Would you kindly write us at your convenience and advise if this could be made available at an early date."

(SRP-22-6)

Mr. Robinson's reply of April 18 is as follows:

"Referring to yours of April 16th, I would say that last week we sent your company a couple of copies of the new Merchandising Plan, but apparently they must have gone astray en route.

I am pleased to enclose, however, another 3 sets. If you desire further copies, please let me know."

(SRP-22-8)

It has already been mentioned in connection with the Canadian Gypsum letter of April 30, 1947, cited above, that Mr. Wynne thought that the higher selling price of that time would permit a winter booking plan in December. Under a winter booking plan a distributor is usually given a discount for taking roofing products into stock during the slack building season. In a letter of November 21, 1947, C. J. Kirlin wrote to W. G. Currie, both of Currie, that Canadian Gypsum desired to discuss the possibility of a winter booking plan at the next meeting and stated:

" . . . it will be veto'd by the others, . . . "

(CPL-36-2)

In a further letter to Mr. Currie on November 22, Mr. Kirlin wrote:

"Attached find subjects official order. As to price. You will be better able to decide after meeting when no doubt something will be done on CT [coal tar] products. As regards possible charge for drums, can't seem to make up my mind what to recommend or suggest.

. . . "

(CPL-36-1)

A meeting of the Association was held on November 27-28, 1947, which was attended by W. G. Currie but not by C. J. Kirlin. The minutes do not record any discussions of the Merchandising Plan or of the price structure. On December 1, 1947, W. G. Currie wrote to C. J. Kirlin as follows:

"As you have probably heard from some of the Montréal crowd that were at the meeting last week, they decided amongst other things to leave the Merchandising Plan as it is, also there will be no Winter Booking and as of to-day our price on Pitch is \$2.31 per cwt which brings it up to the same as Asphalt Compound. As far as tar in drums goes Barrett and Murray are not selling any of it at all and plan to take it off their next price list. . . . "

(CPL-35)

The next meeting of the Association was held on January 9, 1948. In addition to the minutes of the meeting, there are in evidence two sets of handwritten notes relating to the meeting, one apparently prepared by the Secretary and the other by Mr. Hammarstrom of Carey. These notes, being in abbreviated form, are not self-explanatory on all points but they indicate in a definite way the manner in which the discussions were carried on among the representatives of the various companies. They are cited here for this reason.

The Secretary's notes are as follows:

"Barrett genl re Increasing Costs, inc. Dryden
increase of 25.00 ton on Kraft Jumbo Sheathing in
West Canada.

Viceroy - go all way now

BP - yes on everything except Rolls & Shingles.

C.J.M. - Across Board but put in 2 timing

Carey - OK in 2 jumps

Currie - OK felts now.

Am. - No comments. Asphalt Compound OK

TA - NO cut discounts. Asphalt Compound now.

Bfd. - Up now & winter plans buying back.

Asphalt 2.60 Mtl. & Toronto - St. John 2.75 Halifax
Compound & Pitch

Felt 2.55 12# Felt 15# = 3.15	
Halifax 18	23¢
\$2.73	3.38

25# 2.65 - 284 Halifax

Hvy Dry 2.25

#2 Dry 90¢ #2 Sat 1.40 Hvy Sat 2.30 2.48 Hlfx.

Halifax 95 #2 "

House Sheathing 1.80 1.92 Hlfx

Coal Tar Crude 14.00 Refined 16.00 Drum 40 gal.

Starter Strip 1.65 12" x 50 ft (BP says NO)	
Halifax 1.79	(take under advisement)

Fabric 45¢ yd 22.50 Roll - 50 yards. (10% to certain trades Bfd)
Others may meet also equalization.

Toronto & Mtl. free all may add other points
in competition. Bfd, St John -- ?

Am. has list of towns same as roofing.

S.I.S. or NIS 2.40 BP 2.30 Diff. in Weight
2.59 Halifax

Base Sheet 4.40	2.20
.32 Halifax or	2.36 Single Roll Halifax
4.72	

Roll Bric Siding 3.75 exc. nails Class B Product all points
except St John - T.A. excepted
and treats as rolls.

Carey equalize on Quebec City."

(ARA-64-6-2, 64-6-3)

The notes of Mr. Hammarstrom of Carey are as follows:

- | | |
|-----------|--|
| "Viceroy | - Immediate increase equal to cost increases. |
| Barrett | - Small immediate increase, with later raise so as not to shut off winter buying. |
| B.P. | - Hold any advance now would shut off buying. |
| J.M. | - 50% of cost advance now, 50% April 1st. |
| Brantford | - Increase now, and ease it in with booking plan. |
| Carey | - Need 10% to cover. Rec. half now and half later. Should not stop buying if second raise generally known. |
| Currie | - No comment on shingles & rolls. Want immediate lift on compound & pitch products. |
| T.A. | - Do not favor lift in present list. But would shorten up rebates to offset increased costs. |
| Murray | - No comment. |

Asphalt Compound - Increase of \$3.40 ton reflects a needed
list price of \$2.60 cwt. Montreal
2.60 " Saint John
2.75 " Halifax

Same for Pitch

<u>Tar and Asphalt Felt</u>		(B.P. wants 5% - Others want 15%)	
		to needle only	Halifax
12# Felt -	2.55 roll) 10% increase	2.73
15# Felt -	3.15 roll		3.38
25# Felt -	2.65 roll		2.84
(35¢ cwt. diff.)			

Sheathing - No. 2 Dry - 90¢ roll (except J.M. & Carey at 80¢).
 No. 2 Tar - 1.40 Bishop
 Carliner - Now 98 - Make it \$1.10
 Hy Tar - 2.07 - Bishop 2.30
 Hy dry - 2.25
 Houseliner - Now 1.60 & 1.65 - Up 10% to 1.80
 1/2 Ply Halifax 1.82

Crude Coal Tar -	From 12.00 to 14.00) Make it price on application or leave out. Price not stable.
Refined Coal Tar-	From 14.00 to 16.00	

Starter Strips - From 1.50 to 1.65 - Brantford list
Up 10% - Nuisance item.
B.P. say No. - Check our price - Should be
10% above regular slate.
Brantford & Barrett up anyhow.

Saturated Fabric - 19.00 roll now (50 sq. yds. each)
Brantford wants \$22.50 or 45¢ yd.
O.K. at 10% discount to jobber. Others
sell net, indiv. co. option.
Eq. - Toronto & Montreal, Brantford
Asbestos, Saint John.

<u>Selvage Edge Roofing</u> -	<u>Present</u>	<u>New</u>
	2.20	2.40
		2.59 (Halifax)

<u>Base Sheet</u>	(Double Rolls)	90#
	<u>Now</u>	<u>New</u>
	4.16	4.40 - Mont.
		4.72 - Hal.

Roll Brick Siding - B.P. says no advance.
Barrett going to 3.75 with nails - 1/2 sq.
rolls - Equalized on all points except
St. John.
T.A. - eq. on all points. They consider
as a roll roofing.
Carey eliminate special equal. at Quebec
City.

Plastics - On last rise Barrett wanted 20%. Advance proved to
be 10%. Barrett nevertheless went 20% on proprietary
Tar. based specialty products. Think it should still
go another 10% on asphalt base.

Shingles - 210 Broadshadow priced at \$7.00
Shall we raise other 210's to equal?
B.P. says no!"

(PCM-7-3-4, 7-3-5,
7-3-6)

Johns-Manville was the only company which made a general
increase in prices in January, 1948, the other companies advancing
the prices of selected items, such as felts, sheathings, asphalt com-
pound and pitch. The following comment, to which no objection was
taken before the Commission, was made on this occurrence in the
Statement of Evidence (p. 230):

" . . . it appears to be a fact that this is the only instance where a manufacturer acted independently in increasing prices generally. . . ."

The situation in regard to increasing prices during the winter season was commented on in the following way in a letter of January 14, 1948, from the Secretary to Sidney:

"In Eastern Canada drum asphalt has already been passed through to the trades and at least two companies have announced price increases effective immediately on saturated felts, some forms of saturated sheathing and miscellaneous proprietary products. So far no company has taken any action on shingles and rolls or Group E Products. The question down here with individual companies is to avoid price increases in the winter time in an attempt to continue dealer buying and keep the plants working. In effect, they consider it more desirable to keep shipping plant capacity than worrying too much about asphalt increases for two or three months. I have not the slightest doubt, however, that there will be individual companies moving on Group A and B Products before April 1st and perhaps before March 1st."

(ARA-61-12, 61-12-2)

There was a meeting of the Association on February 16-17, 1948. In notes of the meeting apparently taken by the representative of Carey, the following appears:

"B.C. Market.

Mr. Welch, Gen. Mgr., Sydney Rfg. & Paper Co. objects to Eastern pricing formulas divulging the 10% discount vs. their 8% to dealers.

B. C. Advance

12% - Shingles
15% - Rolls
20% - Spec.

. . .

Brantford wants immediate advance on Insulated Brick to \$12.25 (50¢ up) - (Carey would be \$12.15) B.P. now \$10.25, present differential \$1.50. B.P. expected to move up 5% April 1st. Clear with Hess on our increase.

<u>B. P.</u>	<u>On March 1st.</u>
Shingles 8%	3% trade discount for March shipment on

R. R. 10 - Subject to withdrawal A, B & E Products only
Spec. 10 or clean up of in Dist. 1 & 2
R. B. 10 Wholesaling situation
Insul. Brick 5% Between Mar. 15 - April 1

Blk Bldg Paper 10%

March 1 B.P. Winnipeg price)

#2 Dry up to 1.00 ?)
Sat. #2 up to 1.50 ?)"

(PCM-7-2-5, 7-2-6, 7-2-7)

A reference to this meeting is also contained in a letter of July 30, 1948, from E. M. Cockshutt of Brantford to the Maritime office of the Company. In this letter Mr. Cockshutt wrote:

11 . . .

Following a meeting in Toronto on February 16th and 17th we decided to make changes in price effective February 27th."

(BRC-38-1)

That the changes in prices brought Johns-Manville to a competitive price position with other manufacturers by March, 1948, is indicated in a report of March 2, from G. A. Hall to F. A. Bromley, both of Johns-Manville:

2. Recent moves, which we note have been made by competitors, will place us in a competitive price position in March.
3. It is also noted that competition is offering a 3% trade discount for March shipments, and we have accordingly adopted the same practice."

(CJM-32-4)

An indication of the attention which was given to any difference in price of a standard product is exhibited in correspondence between offices of Brantford in regard to roll brick siding. In a letter of May 7, 1948, C. M. Whelpley of the Maritime office wrote to the Company's head office:

"With further reference to our telephone conversation regarding Rolled Brick Siding, we understand you to say that the price would be \$4.75 per square, distributor list, f.o.b., Plant Saint John, and Halifax.

We were advised, however, by a local dealer, that Building Products Company Limited, in their price list just published, show a list of \$4.85.

Will you please confirm to us, immediately, the proper price as possibly the writer may have misunderstood you over the 'phone."

(BRC-67-3)

The reply, dated May 12, 1948, contains the following:

"I have your letter of 7th May regarding price of rolled brick siding. I might advise that the change from \$4.75 to \$4.85 per square has become necessary because of the change in freight rates applying into the Maritimes.

I was not aware personally that this had been done, but we will, of course, have to immediately issue a bulletin in this regard."

(BRC-67-2)

On January 19-22, 1948, a meeting of the Association was held in Winnipeg. The minutes of this meeting prepared by the Secretary, do not record discussions of prices or of the Merchandising Plan. In addition to the minutes there is in evidence a document (SRP-1) consisting of 12 typewritten pages in the nature of a report of the meeting prepared by Archibald Welch, then General Manager of Sidney. The matters in which Mr. Welch was interested were primarily those relating to Districts #3 and #4. With respect to the Merchandising Plan, Mr. Welch wrote in his report:

"17. MERCHANDISING PLAN

It was disclosed at the meeting that most Companies are now issuing their own Merchandising Plans based on the master plan issued from the central industry office. Only the Company's particular plan is issued to their salesmen, and this plan is identical in interpretation to the master plan, but may differ slightly in wording. Sidney announced that they will probably follow suit in this regard.

Sidney stated, and were similarly followed by other Companies, that certain pages are now missing from their master Merchandising Plans. Bill Moffatt suggested that we obtain a complete copy from Mr. Jones of Canada Roof."

Mr. Welch's report then lists a number of changes in the Merchandising Plan.

The document sets out changes in prices of various products. In the case of asphalt it states, "The following prices were decided upon" and in the case of pitch, "Pitch prices were declared as follows". In the case of sheathings, the document lists "our declared prices" and states, "Building Products announced prices identical with the above." Four other companies are then stated to have announced prices 5¢ and 10¢ higher on two lines respectively. In the same section, it is reported that the price of "Permax" is set a few cents below that of "Scutan". A list of prices is followed by this paragraph:

"Sidney promised that if later investigation showed increases in Scutan prices above the Price List now in our possession, we will reconsider our prices on third grade sheathings and Permax accordingly. Charlie Browne was requested to obtain the latest information on Scutan supply and prices. This product is made by Canada Paper at Windsor Mills."

A schedule of bonding charges is set out in the document as those "announced by Barrett as being effective January 2nd, across Canada" and this is followed by the statements:

"All Companies will follow not later than February 2nd.

It was agreed that these increased charges would apply only on jobs to which shipments commenced on or after the effective date. Shipments on or after the effective date to jobs started before the effective date would be at the old level."

The first paragraph in a section of Mr. Welch's report headed "Other Items", reads as follows:

"It was agreed by all concerned that all price changes would be in effect in District #3 before Monday, February 2nd."

One section of Mr. Welch's report, dealing with the introduction of new products, contains the following:

"Building Products announced a blue shingle made only in 210#, to be marketed in District #3. They expressed their desire to sell at the standard price, but later agreed to a 25¢ premium; this as opposed to a 50¢ premium now in effect by Johns-Manville and Barrett, who are also making a blue shingle in 210# only.

Building Products felt that they could not go up any higher than 25¢ due to the quality of the blue granule used in their product."

During his examination, Mr. Welch stated that he thought the representative of Building Products had deliberately made his first announcement low so that he could give the appearance of being persuaded to go up to a price he really had intended to put into effect (Transcript, p. 1532).

With respect to discussion of a general price increase at the Winnipeg meeting, Mr. Welch wrote in his report:

"All Companies except Building Products expressed a wish to increase prices on Class 'A' and 'B' products, with thoughts varying from 8% to 10%. B.P. stated that they would not move now but should be in a position to state their thoughts by the end of February. Hal Pringle expressed his private thoughts that their suggestions would be from 8% to 10%, with an emphasis on 8%. Upon urging, he stated that no announcement would be made by their Company before ample time was given for discussion of their suggestions.

The only Company to move was Johns-Manville, who announced the following prices:"

(SRP-1-5)

The action of Johns-Manville in increasing prices in District #3 at this time was parallel to the step taken in Eastern Canada during the same period.

At the time of the Winnipeg meeting there were restrictions on the import of asphalt shingles from the United States by reason of the exchange controls then in effect. Mr. Welch's report indicated that the manufacturers in British Columbia were getting ready to resume the production of 210 lb. shingles and that such shingles were being shipped into British Columbia from Eastern Canada. His report states:

"A good deal of discussion centred around the influx of Eastern shingles into District #4 subsequent to the import ban on American shingles. Eastern suppliers shipping to the B.C. market from their Eastern production are Philip Carey, Viceroy, Barrett, and Alexander Murray. In addition, Canada Roof have been marketing Alexander Murray Eastern shingles.

Barrett reported that they have been basing their price on 210# shingles on the Eastern price of \$6.75, granting the regular District #4 rebate of 6% plus full freight of \$1.00 per cwt. to Vancouver. This results in a price f.o.b. Vancouver of \$8.31.

Philip Carey and Viceroy are selling at \$6.75 less the District #2 rebate of 10%, giving a price of \$6.07. To this is added freight of 75¢ per cwt., which is the dealer rate less their Eastern equalization on Montreal of 25¢ per cwt. This calculation gives a laid-down price in Vancouver of \$7.65.

The regular Western price is \$7.27 less the rebate of 8%, giving \$6.69.

All Eastern Companies stated that Philip Carey and Viceroy had proceeded to make shipments to B.C. without prior consultation with other Eastern manufacturers now in and familiar with the B.C. market and its pricing. Eastern manufacturers present at the meeting stated that they had little doubt that this whole situation was temporary, and that the pricing used was based on lack of knowledge. They undertook to discuss the subject with Carey and Viceroy on their return to the East, and felt that the necessary changes would not be difficult. It was impressed upon them that low freight rates existed from West to East and that we were fully cognizant of this fact which may guide our own future policies."

(SRP-1)

When Mr. Welch was examined on the position Sidney took in regard to the policy of Eastern manufacturers selling in British Columbia, he gave the following evidence:

"A. . . .

We were interested definitely in finding out whether this was going to be a policy of these new companies or not, to sell first-class material in Vancouver at reduced prices. If so, we would have no option but to meet their prices.

Q. You say:

'It was impressed upon them that low freight rates existed from west to east and that we were fully cognizant of this fact which may guide our own future policies.'

What do you mean by that?

A. Probably made reference to the fact that if we were going to run up against what we consider was destructive competition in the west we might look at the situation vice versa."

(Transcript, pp. 1516-1517)

The pattern of price changes in District #3 during 1948 was similar to that for Districts #1 and #2. As already indicated, Johns-Manville made a general advance at the beginning of the year while other manufacturers first increased the prices of certain products and later made a general advance in prices. In District #4, a general increase in prices was made in February, 1948. Following these changes the prices in all districts appear to have remained relatively stable for the remainder of 1948.

The question of changes in Merchandising Plans appears to have been regarded as an important matter toward the end of 1948. A letter of October 25, 1948, from J. M. Young, then of Barrett, to the Winnipeg office of the Company in regard to a meeting to be held in Winnipeg on November 10-11, 1948, contains the following:

" . . .

What kind of meeting can be held in two days, I do not know, especially when part of the time is meant to be devoted to District #4 matters. The main item of the Agenda will be the respective merchandising plans and these certainly cannot be exhausted in the short time allowed. . . .

. . . "

(BCL-18)

Two days prior to a meeting in Toronto on December 20-21, 1948, C. J. Kirlin wrote to W. G. Currie, both of Currie:

"As regards Toronto was not planning to go up but on second thought I will. Most meetings promise to be important but this one will be it and it will be just as well to sit in and get what they are going to do at first hand. There is going to be some sharp divergence of opinion re 1949 plan - prices - Spring Booking etc etc. Barrett are not for having and [any] price reduction, such as advocated by some."

(CPL-23)

The minutes of this meeting contain the following paragraph:

"5. Many companies stated their intention of modifying their respective merchandising plans early in 1949, particularly in respect of discount brackets and rates, as it was felt by those companies that their discount policy was no longer in accord with present trading conditions. Certain proposed changes in respect of freight allowances were also announced by several companies."

(ARA-171-2)

The Barrett bulletin of January 2, 1950, (BCL-48-2) cited at the beginning of this chapter, refers to the 1949 Merchandising Plan as an attempt to reconcile the factors of quantities and function by employing a new combination. The bulletin also gives the following reasons why price reductions were made at that time in the case of certain products:

"The 1949 Plan

These were the background issues which go a long way towards explaining what happened a year ago.

Despite increased costs, dealer price reductions were dictated on some items, particularly roll goods. Discounts were inevitably reduced as a result, especially on Groups B, C and D on which wholesaler price cutting had been particularly rampant."

The Statement of Evidence indicates that all Eastern manufacturers issued new price lists effective January 3, 1949, making identical price reductions on a number of lines.

An indication of the nature of discussions between two manufacturers, interested in the same products in the same territory, is given in a letter of April 21, 1949, from H. E. Pringle then of Building Products, Winnipeg to officials of the company at head office. Mr. Pringle wrote:

"As mentioned in another memorandum, we are very much closer to the Sidney Roofing & Paper Company's Management than ever before and they have made considerable concessions in regard to quantity rebates and also in regard to the price structure and sale of Permax Paper.

In return, they have asked me for some consideration in regard to the District #3 price of Half-Ply Sovereign Sheathing and I am inclined to do something for them.

The Dealer price of Half-Ply Sovereign Sheathing, F.O.B. Winnipeg, is \$1.80 per roll and in District #4 it is \$2.20 per roll.

Under the circumstances, I would definitely recommend that we announce a price increase on Sovereign Sheathing of from \$1.80 to \$2.00 per roll in District #3 and this can be discussed while I am in Montreal."

(BPL-82-3)

Mr. Pringle said in his evidence that when the matter was looked into following the discussion with Sidney, it was found that in view of Building Products costs it had been wrong to carry the product at the previous low price. In regard to relations with Sidney, Mr. Pringle said:

"A. There were at that time indications that Sidney were as dealer conscious as we were, and I could discuss it with them in a frank open manner, which had not been the case heretofore."

(Transcript, pp. 1911-1912)

Mr. Long, also of Building Products, said in evidence that after Mr. Pringle's discussion with Sidney the price of the sheathing was raised from \$1.80 to \$2.07 and that the product is one of the lowest profit items of the Company (Transcript, pp. 271-273).

When the prices of asphalt and pitch were increased in District #4 in October, 1948, L. Williams of Johns-Manville's Vancouver office wrote to the Winnipeg office of the Company:

"In view of the price increase of \$2.00 per ton on Asphalt in District 4, the group have decided on increases as shown below. After some discussion, it was decided to increase the prices on Pitch accordingly, and I am quoting the new lists that have been established for District 4, for your approval and subsequent advice to the trade. Would you please acknowledge this change, which is being put into effect October 8th. You will note I have shown list prices, also dealer and wholesaler prices established. Will you please determine from the figures shown, our list prices on both items, which will include a portion of bond charge. At the present time, we have a 37 cent premium on Asphalt and Pitch, quoted as 'bonded' materials. The local companies are showing revised prices, effective October 8th. It would appear that we will have to issue our bulletin sometime next week, showing effective date as October 8th.

		<u>List</u>	<u>Dealer</u>	<u>Wholesale</u>
Standard Roofing Pitch	Cwt.	\$3.50	\$2.80	\$2.66
Standard Roofing Asphalt	"	3.50	2.80	2.66

Two or three other items were discussed by the group, none of which had any effect on the operations in District 4."

(CJM-21-1-4)

During the argument it was pointed out on behalf of Johns-Manville that the company secured its supplies of the above items for

its British Columbia operations from Sidney.

In January, 1950, the Vancouver office of Barrett wrote to the head office of the Company in regard to reprinting certain price lists and circulars. A reply, dated January 19, 1950, contains the following:

"It is not our intention to print literature for Districts 3 and 4 until the Winnipeg and Vancouver meetings have taken place for it is quite likely that points will come up at forthcoming meetings which might render existing price lists and catalogues obsolete. We will, however, be prepared to print further quantities of the above the moment we know the effect of these meetings on price lists and catalogues as they now stand."

(BCV-22-12)

Letters in March, 1950, between L. F. Long and H. E. Pringle, both of Building Products indicate that the question of price changes was under consideration at the time. In a letter of March 28, Mr. Long wrote:

" . . .

I am wondering how you are thinking on the matter of prices. The last Winnipeg Management Minutes mentioned an increase in the price of wood shingles on the Prairies. The recent increase in freight rates of course means some increase in cost, particularly on asphalt. Our competitors in the east are all anxious to increase their prices. Up to now we have been inclined to regard the profit situation as satisfactory, particularly with the reductions which we hope to make in costs for sidings this year in the east, and with the benefits of your expansion at Winnipeg. It is true that we have plenty of items of increased cost, such as labor, freight rates, effect of devaluation on asphalt, and other prices, etc. which we could put forward to justify a price advance. However, it would be bad for B.P. to raise prices if we encourage new or active competition either within the Industry, or from competitive materials, such as wood and metal. We also have to bear in mind that imported roofings may come off the prohibited list (in fact have partially done so already), and that U.S. prices are low. We even have some indication that British made roll roofings may come into eastern Canada.

It is an important matter, and I would very much appreciate your thoughts about it.

. . ."

(BPL-78-5, 78-5-2)

Mr. Pringle's reply of March 29, contains the following:

"I have been giving this matter of an increase in prices a lot of thought as other Mfgs. out here particularly Coast have been pressing for some increase to take care of freight.

Frankly after checking things rather closely on this trip and conditions pretty generally before leaving Winnipeg I am not in favor of an increase in our general lines. There may be some distress items that need adjusting and of course out here, outside Warehouse Points prices of Insulboard will have to be increased."

(BPL-78-4,78-4-2)

In Districts #1, #2 and #3, the first of several price increases was made in June, 1950. The Statement of Evidence summarizes the series of price changes as follows:

"In Districts #1, #2 and #3 there were five major changes between June, 1950 and the date of the start of the investigation:

- (1) A general increase in June, 1950.
- (2) A general increase in December, 1950.
- (3) An increase in certain lines, some sheathings, BUR felts, asphalt and pitch, and Group E products generally in March, 1951.
- (4) An adjustment to certain lines to absorb increased sales tax announced April 10, 1951.
- (5) A general increase on those lines not increased in March, 1951 (3 above) in June, 1951.

The effective dates of the changes were as follows:

	<u>Districts #1 and #2</u>				
	<u>(1)</u> <u>1950</u>	<u>(2)</u> <u>1950</u>	<u>(3)</u> <u>1951</u>	<u>(4)</u> <u>1951</u>	<u>(5)</u> <u>1951</u>
Barrett	June 9	Dec.4	March 12	April 10	June 13
Bishop	June 9	Dec.1	(no record)		June 12
Brantford	June 10	Dec.1	March 12	April 11	June 14
Building Products	June 12	Dec.6	March 10	April 11	June 14
Canadian Gypsum	June 15	Dec. 4	March 19	May 1	June 18
Carey	June 10	(no record)			
			March 12	April 11	June 14
Currie	June 12	Dec. 4	March 12	April 11	June 15
Johns-Manville	June 12	Dec. 4	March 10	April 11	June 12
Murray	June 10	Dec. 5	March 12	April 12	June 15

District #3

	<u>(1)</u> <u>1950</u>	<u>(2)</u> <u>1950</u>	<u>(3)</u> <u>1951</u>	<u>(4)</u> <u>1951</u>	<u>(5)</u> <u>1951</u>
Barrett	June 12	Dec. 5	March 21	April 10	June 19
Brantford	June 10	Dec. 4	March 19	April 11	June 21
Building Products	June 12	Dec. 6	March 19	April 11	June 18
Johns-Manville	June 15	Dec. 6	March 22	April 11	June 18
Murray	(no record)	Dec. 7	March 20	April 11	June 19
Sidney	June 17	Dec. 11	(no record)	(see note)	

(Note: Sidney's Prairie price list of December 11, 1950 bears a notation on one page 'Prices prior to June 19-51' - presumably changes were made effective June 19, 1951.)

In the above tabulation the effective dates as shown by the price lists are given. These are no indications of when the lists were actually issued, for example, on the change made June 14, 1951 in Districts #1 and #2 Building Products issued a bulletin on June 12, 1951 advising that prices would go up on the 14th, while in the change made on June 12, 1950 in District #3 the first notification given by the company appears to have been a bulletin of June 21 announcing the change with effect from June 12. Apparently in some cases, price lists were not issued for days or even weeks after the change was made. The practice varied with different manufacturers."

During the argument counsel making the general submission for the manufacturers drew attention to the variation in the effective dates of the price lists of different manufacturers, but no question was raised in regard to the conclusion of the Director that "In all of the price revisions mentioned all manufacturers appear to have superimposed identical increases upon identical existing prices."

The minutes of a meeting of the Association on June 8-9, 1950, contain the following paragraph:

- "9. In view of increased costs and particularly heavy inbound freight costs, which had not been recognized since the railways had first been granted freight rate increases, Brantford Roofing Company Limited declared intent to change their catalogue listings upwqrd 5% on shingles and siding and approximately 8% on other roofing materials, excluding Group E Products."

(BPL-91-5-3)

It will be noted that the minutes report Brantford Roofing as having made the declaration of an increase in price.

The Barrett Company issued a circular to all its salesmen on June 9, 1950, containing the following paragraphs:

"Attached you will find revised internal Price Bulletins reflecting an increase in the price of Shingles, Roll Roofings, Sheathings, Saturated Felts and Pitch. Please see that these are properly filed for your information until new Dealer Price Lists are off the press, which will be in approximately ten days time.

These new prices are effective as of Midnight, June 9, 1950, and all orders in our hands prior to that date will be filled at the old prices. All orders received after that date, including those for B.U.R. materials, will be billed at the new prices. No protection on price will be given to any other items whatsoever."

(BCV-22-3)

In writing to the parent company on June 12, 1950, recommending the adoption of the price increases, F. B. Gibbs of Canadian Gypsum stated:

"On Friday, June 9th, Building Products Limited, leading Canadian roofing manufacturer, announced price increases - Shingles 5%, Rolls 8%, Insulated Sidings \$.25 per square. List prices are - L.C.L.

210 lb. Strip Shingles	\$7.30 to \$7.65
90 lb. Grit Rolls	3.25 to 3.50
100 lb. Rolbrik	3.90 to 4.20
45 lb. Smooth Rolls	2.00 to 2.15

Shingles less 5% C.L. and 6% in 500 squares.

Rolls less 10% C.L. and 10% in 500,000 lbs. all roofing.

I suggest we advance to these levels. . . .

. . . .

Please okay for immediate action. . . ."

(CGC-15-2)

As already noted, price increases were made in District #3 in June, 1950. A letter of June 12, 1950, from G. A. Johnson of Murray, Winnipeg, to A. W. Jones of Canada Roof, Vancouver, contains the following:

"The attached prices, f.o.b. Winnipeg, were decided at a meeting today. There are no changes on the other products in our Master Price List. Will you advise Sidney. Prices are

effective immediately."

(CRV-9-7)

There were no corresponding increases in prices in District #4 in 1950, and a general advance in prices was not made until 1951. On June 23, 1950, L. F. Long wrote to H. E. Pringle, both of Building Products, as follows:

"I was very glad to have your letter from Edmonton, and to know dislocation due to price increase is not going to be as serious as you first thought.

Incidentally, reports reaching Charlie Browne, through Archie Welch, are to the effect that no action has been taken on prices in District #4. I realize that those prices are already high, but I am rather curious as to why the manufacturers did not want to raise them in view of repeated comments about increase in costs and lack of profit."

(BPL-78-2)

The increases in prices in June, 1950, created some difficulties over orders which had not been filled at the time the new prices went into effect. The Barrett bulletin of June 9, quoted above, indicated that that company would fill orders on hand at the old prices but there appears to have been difficulty as to what should be considered as an actual order on hand. A letter of June 15, 1950, from W. G. Currie to C. J. Kirlin, both of Currie, contains the following:

"This new price increase has certainly complicated things especially in the B.U.R. at Toronto. Murrays' Barrets' and ourselves are mixed up hopelessly with the two jobbers. It would appear at the minute that Murrays' and ourselves have most of the business and Barretts' are out pretty far on the limb. I understand that Canadian Gypsum put their prices up this morning, so that should help simplify things a little.

As you know there is an industrial meeting in Montreal on June 21st and 22nd."

(CPL-21-1)

Replying on June 17, Mr. Kirlin stated:

"Very glad to have your letter of the 15th, and re meeting here. There should be some skin and hair fly at this one[.] Yes. The new prices have sure complicated things, not so apparent here, at least on the surface, but in Ottawa rumors flying thick and fast of post offers and protection. C.G.C. and Barrett mentioned . . .

I know that here in Montreal Barrett have protected numerous jobs including speculative prospects. Wondering if in addition to BUR. will speculative shingle jobs come into the picture. This will come out in the wash.

. . ."

(CPL-21-2)

Writing on the same subject again on July 31, 1950, Mr. Kirlin said:

" . . .

Not feeling at all guilty about these several orders - verbal - promised to us. Personally can see little difference between a printed order and verbal promise. There are some Roofers who do not issue orders anyway. Be this as it may. There was a mild controversy with Murray over several orders - verbal - we were alleged to have until I pointed out to him where they had taken several after increases in prices. I know of a number of others where the competition tried to hold up certain Roofers for the new prices they quickly came to time."

(CPL-10-2)

From the schedule of price changes for Districts #1, #2, and #3, given earlier, it will be seen that new price lists were issued in December, 1950. In a report of September 15, 1950, to other company officials, L. F. Long of Building Products made the following comments on an Association meeting of September 13-14, 1950:

- "3. All manufacturers are feeling the pressure of increasing costs, and anticipate that it will get worse. Some manufacturers are apparently thinking of increasing their prices at as early a date as October, feeling that if it is not done then it will be difficult to do it until late next spring.
4. There is fairly good indication that Eastern mail order catalogs now being prepared for issue the first of the year will carry substantially higher prices."

(BPL-29-2)

In a letter of October 10, 1950, to R. O. Boland of Bishop, C. P. Wyman of the same company wrote:

". . . I believe there should be price advance considered at the Oct. 18th meeting. Maybe we need not move on Shingles or Roofings-but C&D products definitely."

(BAP-41-5)

In a letter of November 30, 1950, Mr. Boland wrote to Mr. Wynian, both of Bishop, as follows:

"I believe that today's meeting was a good day's work. As explained to you over the phone, nothing much can happen on post-dated bookings since the Winter Booking Plan would off-set whatever was gained and I feel certain that everyone will stay very much in line. There is also the possibility of a price freeze and it is as well to publish our new prices as soon as possible.

Bishop's prices go into effect December 1st, which is tomorrow, and I would suggest that a mimeographed price list be run off at once and sent out to our dealer list with, of course, a supply being sent to the salesmen at once.

. . ."

(BAP-41-1)

In his evidence (p. 1123), Mr. Boland said that his letter had reference to a meeting with representatives of other companies in the industry. This does not appear to have been a regular meeting of the Association as the minutes record that the nearest meeting to this date took place on December 5-6, 1950.

In a company memorandum of December 7, 1950, R. O. Boland made the following reference to the change in prices at the beginning of December, 1950:

"To clear up the point you brought up re the price increase I might explain that the manufacturers, as a group, do not make previous arrangements to put up prices. Bishop increased on Dec 1st and the others all followed, some the same day but a few only 5 days later. Actually, it was of little use to a dealer to rush in under the wire with an order since he could buy just about as cheaply in January under the Winter Booking Plan. . . ."

(BAP-27-2)

The question of dealing with unfilled orders also appears to have arisen in connection with the price changes in December, 1950. After the meeting of the Association, W. G. Currie wrote to Mr. Kirlin, both of Currie, as follows:

"I had quite a successful meeting in Toronto but there were very few changes made in the Merchandising Plan or otherwise. One change you might like to have is on page 16, paragraph 3, Quantity Rebates on Group D Products they have raised from 5 to 10% on Bitumens after net invoice price, both

districts 1 and 2 for the 400,000 lbs and the 500,000 lbs bracket respectively.

Of course the question of this protecting jobs came up and it was decided to forego listing these with any one person such as Charlie Browne and to honour the ones which we feel are legitimate with no time limit set. They have however decided that this is the last time any jobs or roofing products of any description will be protected against a price increase. We are sending, as are the other companies, a bulletin to our men and the trade generally including the B.U.R. contractors, to this effect so that in the event of another price increase they will have to take care of it themselves in some way and not expect us to do what we have been doing in the past.

They have also set up a Winter Booking Plan calling for 5-4-3% on shipments in January, February and March with terms 2% 10 days or net April 30th. This to my mind is an extremely long dating but Building Products insisted it is to be this way to obtain dealer co-operation. All winter discounts will apply on goods sold at the new price only. There were other discussions such as the stand the Building Supply Dealers have taken at Montreal and with which you are familiar. The general impression is that this is a step in the right direction and will tend eventually to stabilize [sic] resale prices."

(CPL-6-1)

Some price changes were made in District #4 in February, 1951, and, as already mentioned, a general price revision was put into effect in April, 1951. One of the changes made in February, 1951, was to place the shingles of various colours, except blue, on the same price basis. Previously there had been price differentials for some other colours as well. On January 18, 1951, in a company letter to the Winnipeg office, H. J. Reynolds of Building Products wrote:

" . . .

One other suggestion in regard to colors in British Columbia was that at the meeting around the end of this month in Vancouver, you endeavor to establish the same method of pricing of the different colors of shingles, as we have in the Prairies and in Eastern Canada, that is, that all colors would be sold at one price, except Regent Blue, which would be at a premium. Mr. Barclay will discuss this matter also with you when you meet in Vancouver towards the end of the month."

(BPL-27-1)

A meeting of the Association was held in Victoria, B.C. on February 6-8, 1951. Matters relating to District #3 appear to have been discussed on the first day and part of the second and then matters relating more directly to District #4 were taken up. The minutes of February 7-8, contain the following reference to the price of coloured shingles:

- "6. Canada Roof Products Limited announced that, effective midnight, February 8th, they intended to merchandise all colors, except blue and blends thereof, of each shingle and slate surfaced roofing type at one catalogue level."

(BCL-32-1)

Another change made in the price lists in District #4 at this time was to increase retail list prices while leaving prices to dealers and wholesalers unchanged. Whereas previously the dealer had been sold at 80% of list price and the wholesaler at 72%, the new percentages were 75% for the dealer and 67.5% for the wholesaler. At the same time the quantity rebate on Group A products was withdrawn, as will be described later.

In connection with the increases in prices made in April, 1951, L. Williams of Johns-Manville's Vancouver office wrote to the Winnipeg and Toronto offices of the Company as follows on April 9, 1951:

"As advised you by telephone Saturday, there has been a price increase put into effect in District 4 effective immediately in accordance with the attached temporary price list. In view of the urgency of this matter I have had price lists run off on all items which it was found necessary to show a price change. I am advising Mr. Hall by copy of this letter and am also attaching a copy of the new list which was just received today, effective March 30 on which I have shown the new asphalt manufacture prices. I would suggest before this be reprinted a definite answer be arrived at as to the prices of asbestos base and finishing felts which matter you now have under correspondence with Mr. Hall. Please acknowledge understanding and acceptance of this revision."

(JMV-11-4, CJM-6)

Following the increases in prices in Districts #1 and #2 in June, 1951, the Montreal office of Barrett wrote to Mr. Hudson of the Company's Vancouver office on June 18, as follows:

"You will note from the Price List which you have received that we have increased prices on Shingles and Rolls, and a few of the Sheathings, effective Midnight, June 13th.

I would like if you would endeavour to implement similar increases in British Columbia as soon as it is possible so to do, bearing in mind the competitive situation."

(BCL-45)

A handwritten note on the copy of the letter in Barrett's files reads as follows:

"Hudson says Sydney & Can. Roofers object - say too soon after last one - not now but perhaps before 6 months."

At the beginning of 1951, manufacturers found difficulty in maintaining an adequate supply of drums in which to ship products for which this type of container was used. A letter from the Association Secretary to Bishop on January 5, 1951, contains the following:

"Rather than wait for a meeting, I believe one of the companies may make a declaration next week of charging \$8.00 for a 45 or 50 gallon container and \$6.00 for a 25 gallon half container, stating that the amounts would be credited on the return of the container. Containers would be stamped as the property of the shipping company.

If this were declared the company states intent to reduce the price of their liquids 4¢ a gallon and putties 40¢ a cwt."

(BAP-26-4)

Further comment on this matter is contained in a letter of January 19, 1951, from Mr. Boland to Mr. Wyman, both of Bishop:

"On January 5th, Chas Brown wrote to you re the Drum situation. After Wednesday's meeting with Bld Supply people, we had a short chat and most Manufacturers will put in the charge of \$8.00 for 45 & 50 gal and \$6.00 for 25 gal. Eric wanted to reduce the contents by 4¢ a gal but most others felt that it would not be worth a new price list and the reduction will probably not go through. You will likely be getting a letter from Chas when there has been a decision."

(BAP-44-2)

The evidence indicates that the charge for drums was put into effect by all companies but there appears to have been no reduction in the price of the contents.

In Districts #1, #2 and #3, as already indicated, price changes were put into effect in March, 1951. A meeting of the Association was held on March 7-8, 1951, but as the Secretary was

ill at the time, R. G. Rogers of Murray took notes and prepared draft minutes. In the draft minutes is the following concluding paragraph:

"Building Products announced that they had made certain price changes on Sheathings, Felts, Pitch, Coal Tar, Asphalt, and Specialty Products."

(DTC-22-6-3)

In his accompanying letter of March 9, 1951, to the Secretary, Mr. Rogers wrote:

"We have made certain changes in the price of our Felts, Sheathings, Pitch, Asphalt, and Specialties, and attached is a copy of our announcement for your information.

Our Company has revised our policy on quotations to the Federal Government, and attached is a draft of our new policy for your information."

(DTC-22-5)

There is no reference to the price changes in the official minutes of the meeting but handwritten notes of Mr. Rogers of discussion at the meeting list changes in prices for a number of items. In one portion of the notes the following appears:

"Effective Dates

East - Effective midnight to-night

West - No date

West will decide."

(DTC-21-8-6)

Following the changes in prices in District #3, Mr. Ragland of Barrett's Winnipeg office wrote to the Company's Montreal office:

"While I was not in Winnipeg at the time the discussion on increases took place, the items in Class 'E' not increased are, of course, Kraft products, with the exception of Blue Plaster Board and Scythe Brand, and I am informed that all agreed Kraft prices were high enough until further increases take place in Dryden prices - hence no increase.

Building Products announced increases in Anchor Dry and Tarred, Anchor Insulation Felt and stated that they were the only increases in Sheathings which they proposed making, so that covered Sheathings other than Kraft.

Wax Kraft has, for a number of years, been carried by us in a small way as an accommodation to customers,[sic] but not listed.

Asphalt Compound was increased to \$3.35 per cwt. corresponding with present price of B.D. pitch. Moffatt would not consent to corresponding increase in Pitch.

Believe this is all information needed. List attached indicating changes where applicable."

(BCL-43-1)

The problem of the protection of unfilled orders appears to have arisen in connection with the price increases made in March, 1951. Mr. Kirilin of Currie had mentioned the matter in a letter to W. G. Currie of the same company, whose reply on March 15, 1951, contained the following:

"I have your letter regarding the confusion caused by the price increase, and we have had a lot of it around here up until Saturday afternoon, however, we have held firm since then, and I certainly hope we as a[n] industry can make this one stick, however we will have to keep our eyes and ears open in case some of them do slip."

(CPL-15-2)

Further changes in prices in Districts #1, #2 and #3 were made in April and in June, 1951. In connection with the increases in June, which appear to have been known to all manufacturers well in advance, S. M. Barclay of Building Products wrote to H. E. Pringle of the same company at Winnipeg on June 8, as follows:

"Sometime within the next seven days, we are going to announce the following price increases to our trade in Eastern Canada:-

[increases are set out]

As I state above, we will be announcing these increased prices to our trade in the East sometime within the next week. We leave it to you to implement these prices in the West. As our costs have risen and are rising, we would like to have these effective in Western Canada at the earliest possible moment, say, after a week from today."

(BPL-21-3)

Replying on June 9, Mr. Pringle said:

" . . .

If I understand your letter correctly and we are to announce the change next Friday, the 15th., we should have our Price Lists ready by at least the 18th as the other manufacturers, particularly Murray, are always beating us to the punch."

(BPL-21-2)

The opening of new plants in Alberta in the latter half of 1951 led to some changes in the price structure of roofing products in Western provinces. The plant which Sidney constructed at Lloydminster on the Saskatchewan boundary came into operation about August 15, 1951, and that of Building Products at Edmonton, Alta. about November 1, 1951. The situation which would be created by the new plants was apparently discussed beforehand at meetings and between representatives of Sidney and Building Products. The following references are among a number contained in notes of the meeting in Victoria on February 6-7, 1951, and found in the files of the Association:

"Sidney may be pricing at Lloyd[minster] from 3% to 11% higher than Winnipeg.

B.P. says Lloyd[minster] prices at Edmonton when operating & Equalize either on Lloyd[minster] or Edmonton or Vancouver.

..."

(ARA-210-13)

A letter of July 23, 1951, from H. E. Pringle of Building Products, Winnipeg to the Montreal office of the Company contains the following:

"..."

Have been in touch with Jack Craig [Sidney] and everything is under control, and I am sure that he will be reasonable and go along with our thoughts in regard to Alberta merchandising.

..."

(BPL-20)

In his evidence Mr. Pringle stated that this particular letter referred to freight matters (Transcript, p. 1922), but previously he had said:

"A. . . . As a matter of fact, on more than one occasion we discussed price levels relative to Winnipeg and so on.

Q. What basis were they finally set on?

A. Naturally, it was merely discussion and arriving at some reasonable understanding, but I don't recall any basis being definitely decided upon; but whatever the understanding was, I believe from memory the prices were made lower.

Q. Lower than what?

A. Lower than any discussion we had. I think Lloydminster prices were announced as lower.

Q. As lower than what you would expect them to be as a result of your discussions?

A. Yes; I recall that."

(Transcript, p. 1921)

At an even earlier stage, Sidney had suggested that Building Products should consider the price level at Winnipeg. In a letter of January 10, 1951, H. E. Pringle of Building Products wrote to Messrs. Barclay and Long of the same company:

"While I made it clear to Jack Craig, Winnipeg prices would be and continue to be Montreal prices, there are two things they cannot get out of their mind. What could be done to deter us from building in Alberta and is there any chance of us ever raising Winnipeg prices some what above Eastern prices. I gave him a definite, but tactful no to both, but never-the-less I believe prices will be increased out here and Lloydminster will not be priced at Winnipeg level."

(BPL-29-1-3)

Although representatives of Building Products stated in evidence that the prices which Sidney established in August, 1951, for its Lloydminster plant were not as high as they thought they would be from the discussions which had been held and were not as high as Building Products would have liked, in view of the costs which they anticipated at their new plant at Edmonton, the prices at Lloydminster were set at a higher level than at Winnipeg. In the view of Building Products their prices at Edmonton could not be higher than at Lloydminster (Transcript, p. 261).

In a letter of August 10, 1951, to other company officials in Montreal, L. F. Long of Building Products wrote:

"Messrs. Reynolds and Wynne are fully familiar with the developments in regard to Lloydminster prices, and Mr. Reynolds is preparing our new master price list for District #3. Sidney has notified all manufacturers that their Lloydminster prices will be effective August 15th, and that their printed price lists will be in manufacturers hands August 14th. We, of course, have a little advance information but will not issue our price list so fast as to give any indication of it.

While Sidney originally announced the intention of quoting prices fob Edmonton the same time that they issued Lloydminster prices, they have since changed their mind and no Edmonton prices will be published until we do it, presumably in September.

. . ."

(BPL-60)

Although the opening of the new plants at Lloydminster and Edmonton affected principally the merchandising of roofing products in Saskatchewan and Alberta, the new market structure also had an influence in British Columbia. This is indicated in a letter of June 23, 1952, from Canada Roof, Vancouver to Murray, Montreal:

"I wish to acknowledge your letter of June 16th with regard to the increased production costs which Mr. Moffat estimated are approximately \$21,000.

With regard to increased prices, we have actually been faced with a decrease in prices due to the fact that Building Products and Sidney Roofing and Paper Company installed plants at Edmonton and Lloydminster respectively, and adjusted their prices downward.

We are now faced with imports from the United States and the Prairies, and it will be necessary in Manitoba and Saskatchewan to meet this situation, which will again reduce prices probably temporarily.

As far as B.C. is concerned I have been advocating price increase right along, but here again unfortunately we are unable to reduce [increase] our prices, because if we do the Alberta producers will be able to ship into B.C. and out price us.

The only solution at the moment is to find some means of preventing importations and increase prices across the board in the West."

(DTC-5-3)

During the first half of 1952 some competition arose from imports in District #3, particularly in the sections of Manitoba and Saskatchewan bordering the United States. In an effort to meet this situation an announcement of a special freight allowance was made by Building Products and subsequently one line of roll roofing and four lines of felt were reduced in price. The following appears in a memorandum of June 16, 1952, from Barrett's Winnipeg office to the Montreal office of the Company:

"Enclose find copy B.P. announcement to trade - in attempt to meet import situation - changes in price set up only on items listed - Have just returned from meeting - no time for more comments before mail leaves - Not [as] bad as it might have been."

(BCL-26-2)

(c) Extension of Merchandising Plan to Newfoundland

Before Newfoundland became a province of Canada, in 1949, Canadian asphalt roofing manufacturers had treated Newfoundland as an export market. It appears that, prior to 1949, the basis on which sales were made to Newfoundland was a matter of independent determination by each manufacturer and there was no exchange of information among the manufacturers as to terms or conditions of sale for such export trade.

Early in 1949 there were discussions among manufacturers as to merchandising policies which would be followed with respect to Newfoundland when it became a province of Canada on March 31, 1949. The minutes of a meeting of the Association on February 2-3, 1949, contain the following reference:

- "7. It was stated that the manufacturers interested in the Newfoundland market were presently studying marketing conditions in that country and undoubtedly would be issuing their specifications and catalogues before April 1st, when union was to take place."

(ARA-170-3)

In evidence are also notes of this meeting taken by G. D. Schroeder of Barrett which include the following:

"Newfoundland

Appears District #2 & 1 Price Lists & Merchandising Plans now in the hands of Nfld Dealers.

Dealers seem to like it.

Montreal Boat rates to Nfld lower than Halifax & St. John.
New York about same as Boston & New York.

Export Prices of B.P. lower than Canadian Base.

Export Prices of Can. Companies are as low as
15% below Canadian Base.

Consider some Nova Scotia Jobbers will be selling in Nfld.

Committee of seven Companies interested in doing business
in Nfld with Mr. Cockshutt as Chairman to call meeting to
study merchandising set up and develop plans."

(BCL-74-4-3)

A meeting for the purpose of considering a Merchandising
Plan for Newfoundland was apparently held on March 9, 1949, as on
March 10, C. J. Kirlin of Currie wrote to W. G. Currie of the same
company:

" . . .

Yesterday sat in on discussion to consider plan for
Newfoundland.

Surprised at extent of operation, principally B.P.
Murray, Bishop and Brantford and the number of accounts
considered to be good.

Some talk of setting up a list of these accounts but idea
will likely be discarded in favor of a quantity purchase plan -
lower brackets than what are in force in Districts 1 & 2 -
likely to be LCL and C/L prices fob Montreal. The LCL will
be our present list. The C/L will be list less 10% Class A,
15% B & C, 10% D, felts and 5% D - pitch - 25% E. In addition
there will be overriding commissions to agents. Just how much -
5% mentioned - and to whom applicable undecided.

Understand that there are considerable goods in bond and
orders awaiting opening of Navigation. So problem not likely to
be acute for some time."

(CPL-33, 33-2)

The same meeting appears to have been referred to in a
letter of March 23, 1949, from S. M. Barclay of Building Products
to other company officials, in which he said:

"About ten days ago a committee of roofing manufacturers sat
down here at Montreal to discuss the Newfoundland market and
a number of things seem to be quite clear to me.

1. B.P. have apparently been supplying more roofing to Newfoundland than any other Canadian roofing manufacturer.
2. Our prices to Newfoundland customers have quite apparently been much lower than those of any other Canadian manufacturer.
3. F. M. O'Leary and Jas. G. Crawford are, without a doubt two of the largest rehandlers of roofing in Newfoundland.
4. We have not, in any way, had anything to do with the resale prices of these two accounts and they have been enjoying very good mark-ups.
5. Because of the very large volume of business we have been enjoying in Newfoundland as compared with other Canadian roofing manufacturers, we are now in a very vulnerable position.
6. Once Newfoundland finally becomes a province of Canada (as of the end of this March), I don't see how we could possibly justify having a Merchandising Plan in Newfoundland with prices, terms and/or too many other conditions much better than those prevailing to our customers in the Maritimes.

The committee were talking about a plan for Newfoundland approximately as follows:-

An L.C.L. price at the same level as our Montreal L.C.L. price.

Carload price at 5% less than the Montreal maximum quantity rebate price, the additional 5% to be extended as a quantity rebate to those buyers who buy a total of 300,000# of A, B, C, D & E products.

We would have the same standardization of products in Newfoundland as we have in Eastern Canada, with one exception; we would continue to supply half rolls of 25# Asphalt Felt at a premium of 5¢ per roll. Standardization would mean that we would discontinue 35# Roofing, 18" rolls of Smooth Roofing, 12 and 15# Felt in half rolls, Felt in 18" rolls, if presently supplied.

Of course, no finality was reached or arrived at, as it is recognized that on account of stocks presently over there, some

in bond, and because of the fact that a number of manufacturers have orders at export prices at the opening of navigation, no new plan could be effective until well into the middle of the year or after.

Under this scheme, our present customers, because they do buy outright and resell roofing, would become nothing better than wholesalers.

At the present time, Brantford Roofing Company appear to be the only company who have a straight commission agent over there. He simply sells for Brantford, Brantford do the shipping and the invoicing, and their agent does not in any way stock or resell roofing.

In view of your recent talks with Mr. O'Leary, I would like to discuss the above with you."

(BPL-81, 81-2)

There is reference to a further meeting in a letter of March 31, from the Association Secretary to E. M. Cockshutt of Brantford. In this letter the Secretary states that close to full attendance will be secured at a meeting on April 11, and that Johns-Manville would be the only company not represented. The Secretary went on to say that he had been talking with Al. Hall of Johns-Manville who had told him that ". . . his company was in accord with previous discussions and unless there were major changes in thinking, would go along with constructive matters, subject only to finally confirming after the 16th. . . ." (When Johns-Manville's Eastern Canada Manager was returning from Newfoundland) (BRC-26-2).

With reference to a meeting on April 11, 1949, C. J. Kirilin of Currie wrote to W. G. Currie of the same company on the same day:

"Just back from meeting and from my wilderness of notes glean the attached which is about the plan that has been set up.

This plan largely sponsored by B.P. acceptable to all, although B.P. would have liked and argued strongly for it, to set the Qty. rebate and nearer 500,000#. This is natural, as they have the two largest accounts on the Island. Indeed I question if all the 14 accounts mentioned can get within shooting distance of 250,000.

This plan not expected to cut any figure until late in summer. There is all kinds of goods awaiting ship't at opening of navigation. These orders taken at export or what have you prices. Will count for tonnage but not for rebate."

(CPL-32)

Until the Merchandising Plan became effective in Newfoundland some dealers or agents there continued to make quotations on the basis of export prices. In a letter of February 23, 1949, to other company officials, E. M. Cockshutt of Brantford referred to this situation and said it was necessary for Brantford to quote on the same basis if it hoped to secure dealers with whom to do business after Newfoundland became a province. His letter contains the following paragraphs:

"I think in each case you should write a letter personally to the customer, pointing out to him that you understand lower prices had been quoted by competitors and that you, therefore, are meeting them, and putting them in the same price as their competition will be if they purchase goods at those prices.

You must realise that in going in to this particular market with a changeover from a wide-open export basis to that of a merchandising plan and price structure, which we hope will be firm, we must have dealers on the Island carrying stocks of Brantford materials, and we must have those dealers believing that Brantford Roofing Company is a good company to do business with, that while they are not price cutters, they meet going prices, and I think in this way, and only in this way, can you establish a proper hold with the good dealers that you wish to pick up."

(BRC-1-2)

In a letter of March 23, 1949, Mr. E. Belyea, Brantford's Maritime Sales Manager, wrote to E. M. Cockshutt at the company's head office stating that he had heard that Johns-Manville had indicated they would accept firm orders until June at the prices then being quoted. His letter then went on:

"It does not seem possible that J. M. could have advised their local distributor in this light whereas we are at the present time trying to construct some sort of a Merchandising Plan for the Newfoundland area which we had hoped would become effective not later than April 30th.

. . ."

(BRC-64-2)

Dealing with this matter in a letter of March 29, 1949, to Mr. Belyea, E. M. Cockshutt wrote:

"Further to our conversation of yesterday regarding Chester Dawes Limited, Newfoundland, and their quotations. As I advised you this statement of price policy has not been authorized by J. M. and it is their understanding that such

prices cease as of April 1st.

I happened to be talking to Stuart Barclay [Building Products] later in the day and questioned him about the same thing. He advised me that their present prices would discontinue at the opening of navigation, that is, they would not accept orders after that date.

I trust, therefore, that this will give you the necessary information which you might require in connection with handling this matter."

(BRC-64-1)

Mr. Belyea passed on this information to the Company's Newfoundland agent in a letter of March 29, which contains the following:

"Dealing with the last paragraph of your letter I would advise that on receipt of the information received from yourself that Chester Dawes, who is a distributor for the John's Manville Company, would accept firm orders for shipment up until June 1 immediately had this clarified through our General Sales Manager and he has advised me that John's Manville will not be accepting orders under present export prices after March 31st.

For your information this Company has not yet formulated any type of Merchandising Plan for the Newfoundland market but we feel that immediately Confederation is completed our domestic prices, which now apply here in Canada, will be placed into effect. However, we would advise you carry on under the present set-up until advised. We feel that this change-over will be clarified somewhere [sic] around the date April 15th."

(BRC-1-1-3, 1-1-4)

That the extension of the Merchandising Plan to Newfoundland was regarded as establishing identical conditions of pricing for all manufacturers is indicated in further correspondence between Brantford offices in 1950. On February 7, 1950, M. E. Belyea wrote to E. M. Cockshutt enclosing a sales report on Newfoundland. The letter contains the following paragraphs:

"Item No. 2. - You will note Don advises that Mr. MacDonald of Alexander Murray Company Limited advised Mr. Cranford of Chester Dawes Limited that they would ship a 20,000 lb. shipment as a carload. It would appear that Mr. MacDonald was not too well acquainted with the Merchandising Plan as laid down and that minimum carloads must consist of

30,000 lbs. or over.

Item No. 3. - It would appear that the Barrett Company are forwarding their distributor price list which is being used on the mainland to the Island of Newfoundland whereas you will note the item underlined on 'D' Products with regard to carload freight being parallel to that which they are allowing on the mainland. I feel that this item would cause considerable competition whereas on our own merchandising plan which applies to the Island of Newfoundland in order to enjoy carload freight on 'D' Felt Products must have same in straight or mixed carloads. We would appreciate your comments on this item.

Item No. 4. - Under heading Steers Limited, you will note that Mr. Brett allowed Don to read a wire that was forwarded to the Pratt Agencies, which is a division of Steers Limited, which wire quoted prices on 18", 55# and extra heavy 65# landed f.o.b. St. John's, Newfoundland at 10¢ a square less than we are charging on the mainland for our 36". We would appreciate your comments on this item."

(BRC-60-2-2)

Mr. Cockshutt's letter of February 16, 1950, in reply, contains the following:

"Please understand, no manufacturer in Canada has a representative on the Island who obtains better prices than any of your dealers are entitled to.

This particularly applies to item #4, where Steers Limited are mentioning some special lineup.

I, of course, will have to check into that particular item regarding the pricing on 18", 55#, as I do not understand how such a price could be arrived at. It looks to me like an error.

Also note your comments regarding the Merchandising Plan item as circulated by The Barrett Company, and I will have to have this item checked into as well."

(BRC-60-1)

2. Some Features of the Merchandising Plan

(a) Quantity Rebates

In the review of the development of the Merchandising Plan it was indicated that an industry-wide system of quantity rebates had formed an important feature of the Plan in Districts #1 and #2 since a time well before World War II. The Barrett bulletin of January 2, 1950 (BCL-48-2), had pointed out that the cumulative purchase plan had been in effect for over ten years prior to 1948, in Districts #1 and #2. Systems of quantity rebates have also applied in Districts #3 and #4, although quantity rebates were omitted from the Merchandising Plan in District #4 in 1952. Manufacturers of asphalt roofing make sales directly to the retail and industrial trades, as well as to public bodies and also make sales to wholesalers for purposes of resale to the lines of trade first mentioned. This has made necessary the acceptance of common definitions of various classes of purchasers and of purchases in order to provide a basis for a uniform Merchandising Plan involving the same rates of discounts and scales of quantity rebates in the same territory. The general basis of the quantity rebates has been that they were dependent upon the total amount of purchases of Canadian products by a single buyer regardless of the number of sources of supply from which purchases might be made in any given period. The percentage rebate has usually varied for different classes of products, and purchases of some classes of products might be counted in determining qualifications for rebates on other classes of products. In the case of some classes of products only one rate of rebate has applied on purchases over a minimum amount, while in other cases and in different periods a rising scale of rebates has applied on total purchases in various size brackets. There appears to have been a tendency in the post-war period to have a single rebate for one class of products, rather than a scale, and to increase the minimum amount of purchases required to qualify for a rebate. For example, in the immediate post-war period there were three quantity brackets in Districts #1 and #2, for Group A products, which includes shingles. By 1949 the number of brackets was reduced to two and by 1950 to one. In the case of B & C products, which include roll roofing, there had been four brackets for quantity rebate purposes and by 1950 there was only one.

The fact that quantity rebates were based on purchases from all sources and that a particular buyer, during the course of a year might make purchase from several manufacturers as well as from wholesalers meant that a considerable amount of work was involved in collecting all the information necessary to establish whether a particular customer qualified for the several quantity rebates provided in the Merchandising Plan. In addition, it seems to have been the practice to grant the rebate as soon as the minimum quantity established as the basis for the allowance had been reached and

customers were naturally anxious to secure the price reduction as soon as they had qualified for it. This meant that the Association office would have to collect information as to the purchases of an account believed to have qualified at any time of the year. When it was established that a customer had qualified for a particular quantity rebate he would be given the appropriate allowance by all manufacturers from whom he had previously made purchases in that year and would be given the equivalent discount off the face of the invoice on further purchases in the same year.

It has already been mentioned that beginning in 1947 legal counsel for the Association attended meetings and reviewed the draft minutes. At a meeting on May 20, 1947, there appears to have been some discussion about the reporting of information as to the quantities of purchases of individual customers. Draft minutes of the meeting prepared by the Secretary include the following as paragraph 5:

"The Secretary asked the Meeting for instructions on the handling of quantity rebates. Until future discussions could clarify the matter, the Secretary was asked to mail tonnage qualifications for individual manufacturers' rebates only to manufacturers."

(AMV-3-2-3)

A copy of the draft minutes was forwarded by G. H. Bartlett of Barrett to legal counsel on June 17 for comments and the following was given in a reply:

"I have your letter of the 17th instant forwarding the above Minutes. I find these Minutes to be in satisfactory form from a legal point of view but would suggest the elimination of Item 5 regarding quantity rebates. The item as it now reads might bear the interpretation, which I am sure is not intended, that some common policy was being adopted as regards these rebates and possibly indirectly as regards price fixing generally."

(BCL-85-8)

The matter was apparently discussed subsequently between Mr. Bartlett and the Association Secretary and on July 7 the latter sent out a revised page 2 of the minutes. In his covering letter the Secretary stated:

"Please refer to Item #5, Page 2 of the Minutes of the Meeting held in Montreal on May 20th, with your host Building Products Limited.

I am attaching a changed page for your records. The new wording is more according to the discussions the Secretary had

with individual companies."

(BCL-85-12)

The revised page 2 contained the following paragraph 5:

"The Secretary stated that he had recently been receiving requests from wholesalers and other roofing re-handlers for reports on tonnage qualifications. Discussing this matter with individual manufacturers, the Secretary was asked by them to report quantity tonnages only to the individual manufacturers concerned. These companies stated that they would keep their own trades informed."

(BCL-85-13)

About 1948 some question appears to have been raised by Johns-Manville as to the method of reporting purchases by the Association Secretary in connection with the compilation of information for quantity rebates. The practice then being followed was for the Secretary to collect information on purchases from all manufacturers, total the figures for individual customers and calculate the percentage rebates for the various classes of products for which the customer had qualified in accordance with the Merchandising Plan. He then reported the appropriate rebate percentages in order that the allowances could be made. An example drawn from reports covering the year 1947 shows that the Secretary reported a firm in Windsor, Ont. had qualified for the following rebates (ARA-259-32):

On Group A Products	10 per cent
On Groups B and C Products	15 per cent
On Group D Products (felts)	15 per cent
On Group D Products (pitch)	10 per cent
On Group E Products	25 per cent

Johns-Manville considered that this practice should be changed so that the Secretary instead of reporting the appropriate percentage rebate, would report the total quantities of each class of product a customer had purchased. There is some indication that other manufacturers would have preferred carrying on with the old system of reporting, but apparently Johns-Manville was unwilling and a change was made which became effective either in 1949 or 1950. Under the new system, the Association Secretary did not report the exact quantities of purchases but whether they fell below or within the quantities for which rebates were established under the Merchandising Plan.

Some indication of the practices followed in the different districts in the collection and reporting of information in regard to quantity rebates is given in correspondence between the Association Secretary and the Western Secretary. In a letter of January 14, 1950,

the Western Secretary wrote:

" . . .

In connection with rebates, my practice has been to send out to each manufacturer enough forms so that they, in turn, can send them on to their wholesalers.

This is not working too well, as apparently the wholesalers are not getting the forms regularly and often miss advising quantities sold to specific dealers.

Would there be any objection if I sent the enquiry direct to the wholesalers from this office?

Please let me know by the 23rd as I expect to be seeing some of the boys on that date."

(ARA-36-2)

Replying on January 17, the Association Secretary said:

" . . .

In the east, Dick, this office sends out requests to any wholesalers from whom we know dealers have been buying. We have had a lot of cooperation from wholesalers with not too much difficulty. On the Prairies, however, all our manufacturers clear for their dealers through wholesalers and we have no contact whatsoever with re-distributors. I guess this is the system you have been following in British Columbia. Since we have had no trouble on the Prairies, all manufacturers seeming to function correctly, why aren't they doing so in B.C.

I would think it would be most desirable to have the manufacturers take the responsibility and if they are not doing so, to be checked up by you. Outside of the work involved, if you feel your manufacturers won't wholly cooperate, I see no reason that you could not send forms direct to the wholesalers.

. . ."

(ARA-36-1)

On May 14, 1951, the Association Secretary wrote to the Western Secretary as follows:

"At the roofing meeting just closed on Friday, I discussed with the Executive the detail of minutes for British Columbia meetings.

I am sending drafts of your minutes to Leonard Long, Chairman of the Executive Committee, for his approval and as they come back I will send them forward to you for publication. It is felt very desirable to issue minutes of all District #4 meetings. Archie Welch was in attendance at the meeting.

A point came up for discussion about the handling of rebates. Up to a year or more ago, this office handled Eastern and Prairie rebates on a discount basis. At the request of some of the companies, we changed to using, in our final report, a tonnage basis. For instance:

Under	-	----	squares
Between	-	----	squares & ---- squares
Over	-	----	squares

This is proving quite acceptable and, while there was some confusion to start, it was quickly ironed out. As a matter of interest, there is more work in our office with this system than with the other.

Would you like to consult with the companies out there at your next gathering if they would like to have you change over to this system?"

(ARA-11-34)

No definite answer to the inquiry about changing the method of reporting appears to have been given by the Western Secretary until May 29, 1952, when he wrote:

"With reference to your letter of January 16th in regard to reporting rebates, the feeling here is that they would prefer to stay with our present system as they think any change would be confusing. However, if there is any urgent reason why it should be changed to your system, would you kindly let me have the details."

(ARA-11-10)

In January, 1949, Canadian Gypsum withdrew its participation in the reporting system for quantity rebates. In a letter of January 15, 1949, to the Association Secretary, F. B. Gibbs of Canadian Gypsum wrote:

"Our Company is withdrawing from participation in the Association activity whereby the members report and receive information with respect to the tonnage of industry products sold to various customers. Accordingly, hereafter, we will not report the tonnage of products which we sell to our customers

and will not receive any report of the tonnage sold by other manufacturers to their customers.

We intend to continue to participate in the other Association activities."

(ARA-61-22)

A memorandum in the Association files contains the following notes relating to the action of Canadian Gypsum:

"Discussed various implications of their letter of January 15th dealing with handling quantity rebates.

. . . Gibbs stated they would continue to supply this office tonnage figures for 1948 clearances until all were finally put through, but could not supply 1949 figures and would accept none.

Gibbs stated mailed letter to trade January 15th, announcing his own company's quantity rebate system and would meet competition based on a dealer's aggregate purchases from all sources, the dealer to submit a statement in writing for his company's approval or rejection. Stated, with past knowledge of trades and a knowledge of competitive activity, he felt they would not have to do too much guessing or take idle statements from dealers. All rebate qualifications, as earned, must be on prepared statement form, signed by a dealer and approved by sales manager or himself.

. . ."

(ARA-61-20)

In a letter of January 17, 1949, to senior officials of other companies, the Association Secretary wrote:

"I am attaching copies of letters from Canadian Gypsum roofing Division which may explain themselves to you. It has now gone long after five o'clock and this is a hurried note so that you would have these copies, of the trade letter at least, in case reports are coming back to you from dealers.

The handling of tonnage qualifications will be fully discussed at our forthcoming meeting at The Mount Royal Hotel, Montreal on the 2nd and 3rd of February. Notice of this meeting is going out tomorrow.

I believe Canadian Gypsum is taking the legal stand that the break in privilege cannot be further continued by their company. They propose to follow the quantity rebate method of

selling, however, as they have set out in their schedule in the trade letter.

I am informed that to secure a rebate their dealers must submit on a Canadian Gypsum Company Limited printed form a request for rebate, taking firm statement or affidavit that they have purchased such and such tonnages from all sources. It is stated to me that the handling of this will not be left with field men, but they or the dealers may forward the certificate to head office, where it must be approved by either Mr. Gibbs personally or Mr. Wynne personally, Canadian Gypsum Roofing Division have stated that they will submit and accept tonnage figures until the 1948 roofing clearances are cleaned up.

In discussing this matter with the Executive Committee it is felt that this is a time for common sense thinking and feet on the ground. Until the matter further unfolds and there is evidence of different policies by C.G. it is felt we should accept this as trying to work around a legal complication."

(ARA-61-19)

The letter of Canadian Gypsum to the trade was in the following form:

"Supplementing our letter of January 3, 1949, we offer a Truckload or Carload discount of 5% at time of shipment. Quantity Discounts on your 1949 accumulative purchases of our products will be allowed as follows:

Shingles - for 600 sqs. - 8% for 1200 sqs. - 10%

Roll Roofings and Sheathings - for 300,000 lbs. - 10% for
750,000 lbs. - 15%.

The above Quantity Discounts include the 5% Truckload or Carload Discount taken at time of shipment and are not in addition thereto. Discounts on Saturated Felts, Paints and Plastics will be furnished on request.

Other manufacturers have offered Quantity Discounts based on a dealer's aggregate purchases of all brands. We are prepared to meet this competition in the sale of our own roofing products."

(ARA-61-21)

On withdrawing from the Association arrangements for compiling information on quantity rebates, Canadian Gypsum prepared a form of certificate by which individual customers could report to

Canadian Gypsum their aggregate purchases of Canadian asphalt roofing products from all sources. By April, 1949, this method appears to have been abandoned and the company then relied on reports made by its salesmen.

Various means were apparently used by other manufacturers to secure information as to purchases by their customers of Canadian Gypsum products so that such purchases could be considered in arriving at aggregate amounts. In a letter of March 22, 1950, to another official of Bishop, R. O. Boland wrote:

" . . . We have ways of finding out the CG quantities (not for publication), . . . "

(BAP-13-1)

The evidence of Mr. Boland was that the Association Secretary provided information about purchases from Canadian Gypsum, but that he did not know if the information furnished was accurate or not.

In reviewing the evidence relating to the situation brought about by the withdrawal of Canadian Gypsum from the reporting arrangements, the Director stated:

"The effect of Canadian Gypsum withdrawing from the reporting arrangements is difficult to assess. In the first place, at least up until its complete withdrawal from the Association [on July 3, 1953, while the inquiry was in progress], the evidence indicates that this company granted the same rebates on the basis of total purchases from all manufacturers as did the other manufacturers. In other words, the only difference was that information about purchases was not freely exchanged. Several of the witnesses said that this situation did in fact result in changes. For example, after G. D. Schroeder of Barrett had commented on competitive situations arising because one manufacturer had qualified an account for a certain rebate which Barrett's records indicated that it did not deserve, there is the following:

'Q. The situation in that respect has, perhaps, become a little more difficult since Canadian Gypsum Company stopped reporting to the industry office?

A. Maybe I would put it this way, that it has enhanced the number of people who are purchasing a very peculiar basis.'

(Transcript, p. 353H)

In a report to his superiors in Chicago, F. B. Gibbs of Canadian Gypsum wrote on July 6, 1949:

' . . .

. . . Our independent policy of quantity discounts on a competitive basis forces others to guess our volume and tends to lower price levels as the season progresses.

. . . '

(CGC-16-1-3)

It seems fair to say that the evidence indicates that the withdrawal of Canadian Gypsum from the industry-wide reporting system gave rise to situations where purchasers were able to obtain more favourable terms than would otherwise have been the case."

During the argument, counsel for the manufacturers stated:

"We say that the withdrawal of Canadian Gypsum has caused this, I would say return in respect to quantity rebates to the jungle warfare of the old days where you had to take your chance of finding out whether a dealer was telling the truth or not or whether he was not exaggerating a little bit in order to obtain from you things that your plan and nobody else's plan would give him."

(Transcript, p. 2771)

(b) Revision of Quantity Rebates in District #4

The 1948 Merchandising Plan in District #4 provided the following quantity rebates:

Group A	
300 squares	4%
750 squares	8%
Group B, C & E	
45,000 lb.	3%
90,000 lb.	6%
135,000 lb.	10%

The same scales of quantity rebates had apparently been included in the Plans for some years previously.

In February, 1948, H. E. Pringle of Building Products, Winnipeg, made a business visit to British Columbia. In a letter of

February 29, 1948, to Mr. Harris of the Montreal office of Building Products, Mr. Pringle commented on discussions he had had with representatives of other manufacturers in British Columbia and said:

". . .

There is some very disturbing factors making it extremely difficult for us to carry on and keep our outlet competitive and I took initial steps with Sidney and other roofing Companies to correct the situation otherwise I made it clear we might have to adopt retaliatory measures in the Prairies.

Sidney were sufficiently disturbed they asked me if I would be prepared to attend the next district meeting out here which they would call quickly and see if a more satisfactory merchandising Plan could be devised. Any way I have them worried and will cover details more fully when I see you."

(BPL-83-2-3)

At this time Building Products did not maintain a branch office or warehouse in British Columbia and sales of its products in that province were made through a building supplies firm in Vancouver.

The following comment on the attitude of Building Products was made in a Sidney letter of May 7, 1948:

"As to roofing product prices, we are having a Vancouver meeting this month, the result of this I anticipate will be to eliminate the 8% rebate on shingles to dealers and approved applicators, leaving only the 4% bracket. Building Products have served notice that unless shingle rebates are radically reduced in District #4, they will immediately put shingle rebates into effect in District #3. We are more than pleased to go along with the elimination of the 8% rebate, and have wanted to do this previously but Barrett have vigorously objected. Building Products have now held the gun to their head, and I understand from Mike Bartlett that they are ready to go along."

(SRP-18-2)

At this time the Merchandising Plan for District #3 contained the following provision:

"We will not allow quantity rebates on Group A Products (Asphalt Shingles and Asphalt Siding, Asbestos Shingles or Asbestos Siding) to any class of trade."

(ARA-196-11)

In a further letter of May 17, 1948, to Mr. Harris of Building Products, Montreal, Mr. Pringle made the following comments on his discussions with manufacturers in British Columbia:

"As you know, I have been working on the Coast Manufacturers and other companies to get quantity rebates on Class A products reduced or eliminated in District No. 4 to better our sales position through the jobber. At a meeting with Mr. Jack Young and Mr. Moffatt, to discuss this matter, Mr. Young did bring up the question of relative costs and, frankly, I made the statement that Coast Manufacturers' costs did not warrant Class A quantity rebates, such as they have in District No. 4, any more than our costs in District No. 3, but I certainly do not recall any reference to relative company costs."

(BPL-83-1)

By this time the question of quantity discounts in British Columbia was apparently under active consideration by Barrett's head office. On May 21, 1948, J. M. Young of Barrett's Montreal office sent the following telegram to the company's manager in Vancouver:

"SHOULD ANY REDUCTION BE MADE IN TOP BRACKET ON A PRODUCTS WE WOULD INSIST ON GIVING PRESENT REBATE ON PURCHASES UP TO DATE OF CHANGE FOR ANY ACCOUNT SO QUALIFYING ON YEARS PURCHASES STOP THIS BASED ON SORRY EXPERIENCE ON CHANGES IN EASTERN PLAN MID SEASON LAST YEAR"

(BCV-14-7)

A further telegram on June 7 reads as follows:

"WE CANNOT ACCEPT BRACKET OF EIGHT PERCENT FOR FIVE THOUSAND SQUARES AS THIS PERMITS APPLICATION TO SELL DEALER STOP CONSENSUS OPINION HERE WE SHOULD OPPOSE ALL CHANGES IN MERCHANDISING PLAN DURING THIS YEAR BUT START IN SEPTEMBER TO CONSIDER 1949"

(BCV-14-4)

Then, on June 9, the following telegram was sent by Barrett to its Vancouver office:

"CONFIRMING CONVERSATION STOP WE CONSIDER MERCHANDISING PLAN CHANGES IN MID YEAR EXTREMELY ILL ADVISED ESPECIALLY IF ANY POSSIBILITY OF OTHER CHANGES NEXT YEAR STOP IN EVENT PRESENTLY INDICATED CHANGES ARE MADE WE WOULD INSIST ON

REBATING ALL PURCHASES TO JUNE THIRTIETH ON
BASIS OF PRESENT PERCENTAGE PROVIDING CUSTOMERS
PURCHASE PRESENT REQUIRED QUANTITIES IN FULL YEAR"

(BCV-14-3)

The division of the roofing year into two parts appears to have been accepted. On June 15, 1948, J. D. Vickers of Sidney wrote as follows to the Western Secretary:

"Attached is a memo of the arrangements that were finalized during your absence, and which are effective July 2, 1948.

Will you please see that everybody concerned is sent a copy of this memo promptly."

(SRP-23-9)

The schedule of rebates set out in the memorandum of Mr. Vickers is as follows:

"1948 REBATES

For purposes of quantity rebates, the 1948 Roofing Year shall be divided into two distinct periods:

Period #1 - January 1, 1948 to June 30, 1948
Period #2 - July 2, 1948 to December 31, 1948.

Quantity Rebates shall be:-

	<u>Period #1</u>	<u>Period #2</u>
'A'	300 Squares 4%	600 Squares 3%
	750 Squares 8%	2000 Squares 6%
'B, C & E'	45000 Lbs. 3%	90000 Lbs. 3%
	90000 Lbs. 6%	180000 Lbs. 6%
	135000 Lbs. 10%	270000 Lbs. 10%

..."

(SRP-23-9-2)

On June 17, 1948, J. M. Young of Barrett, Montreal, wrote to the Company's Vancouver office and, after listing the new scales of rebates, said:

"All accounts qualifying during the full year to squares or tons in effect prior to July 1st will be rebated to the former rebates.

It will be necessary to establish new quantity allowance reserves and to make some arrangements to take care of changes in Plan in mid year.

It will also be necessary to make an appropriate announcement to your Trade. . ."

(BCV-14-2)

Toward the end of June, 1948, Johns-Manville, Murray and Canada Roof issued bulletins making identical changes in rebates effective July 2, 1948.

On July 30, 1948, the Western Secretary wrote to Barrett's Vancouver office stating he was enclosing "revised Page 5 of your Merchandising Plan". The letter went on to say that the only changes were corrections in typographical errors. The enclosed sheet set out the scales of quantity rebates identical with those in Mr. Vicker's memorandum of June 15.

In the case of quantity rebates in District #4 on Group A products a further change appears to have been made in the 1949 Merchandising Plan by setting up a single rebate of 5% on a minimum quantity of 1,500 squares of A products (Exhibit 37). The same scale of rebates was continued in the 1950 Merchandising Plan.

On December 19, 1950, H. E. Pringle of Building Products, Winnipeg, wrote to the Montreal office of the Company, in part, as follows:

". . . in addition, I plan on going all out to get that 5% quantity rebate on Class A Products removed. As discussed with Mr. Long by phone, I have in mind using District 3 as leverage without getting into an untenable position. In addition, in order that you will be fully informed, I plan on creating the impression with Wray Jones that we will probably subsidize our wholesalers for this rebate.

With this information, you will be fully prepared for any reaction that may come back East."

(BPL-78-1)

Mr. Pringle of Building Products visited British Columbia in January, 1951, and on January 10, 1951, he sent a letter to the Company's Montreal office containing the following:

"Secondly I have the definite assurance of Jack Craig [Sidney] and Wray Jones [Canada Roof] that they will go all out for the removal of the 5% Class A. quantity rebate."

(BPL-29-1-2)

As previously mentioned, a meeting of the Association was held in Victoria, B.C. on February 6-8, 1951, and the latter part of the meeting was devoted to District #4 matters. In a report on the meeting to H. E. Pringle of Building Products, R. C. Haller of the same company wrote on February 16, 1951:

"Quantity rebates on shingles were discontinued as of midnight, Feb. 8/51. Rebates to be issued for shingle sales between January 1st and February 8th, whenever dealers qualify. It was suggested that manufacturers list on Class A Products be shown as a 25% mark-up, instead of 20% as at present. No price protection to be given on any products and dealers were to be so advised."

(BPL-26-2)

Further important changes were made in the Merchandising Plan in District #4, effective July, 1952. The remaining quantity discounts were eliminated and a carload discount was introduced which applied on asphalt shingles as well as on other products. On June 20, 1952, A. G. Shore of Johns-Manville, Vancouver, wrote to Mr. Mulock of the Company's Winnipeg office outlining certain proposals which had been made for carload discounts and then stating:

". . . A decision is required on this by Monday night, and while I regret the short notice, a number of people involved are leaving on trips and it is not possible to arrange a later meeting."

(CJM-28)

Writing again on June 25, Mr. Shore said:

"Because of the threat of U.S. competition and because of the continued pressure by larger accounts to give them some recognition over small corner yields, we have been compelled to revise our merchandising plan."

(JMV-8-3)

On July 4, 1952, R. G. Rogers of Murray, Montreal, wrote to the Company's Vancouver office to inquire as to the reasons for the changes in the Merchandising Plan. A letter of July 7, from H. H. Bordewick, Murray's Vancouver Manager, included the following:

". . . Our Rebate Plan is cancelled as of June 30th. In the case of Shingles we had no Rebate Plan and it has been a source of dissatisfaction amongst our dealers that quantity buyers had no inducements.

. . .

P.S.--We believe our new plan will help offset importations which have had consideration by some of our dealers."

(AMV-1-1)

The changes appear to have been made in July, 1952, by all manufacturers in District #4, except Barrett. In a letter of July 28, 1952, to Barrett's Vancouver office, G. D. Schroeder, Vice-President of the company wrote that he wished to secure the opinion of the company's solicitor before making a decision. With respect to Barrett the situation appears to have been that for the remainder of 1952, customers of the company could select either the old or new terms on which to purchase and that for 1953 the new system was adopted by Barrett.

The evidence makes clear that in all important respects in all districts all manufacturers used an identical scale of rebates based on the same quantities of aggregate purchases for the respective products.⁽¹⁾

(c) Other Provisions

The description already given of the Merchandising Plan has shown that it has been drawn up to provide a basis of pricing which can be applied in any situation. The Plan, therefore, includes many detailed provisions to embrace the various conditions and types of sale involved in the distribution of asphalt roofing products. This has necessitated a Plan of considerable length which, in the words of G. D. Schroeder, "is a very complicated document" (Transcript, p. 351). A brief review of the 1952 Merchandising Plan for Districts #1 and #2 will serve to indicate in a general way the conditions and terms of sale which are made matters of common definition among all the manufacturers.

The 1952 Merchandising Plan has an introductory section entitled "Summary", which reads as follows:

"We have formulated the Plan described in the following pages as a method of merchandising.

This Plan has as its object the distribution of asphalted and tarred roofing materials through suitable channels of trade so that they may be placed in the hands of consumers under conditions acceptable to all concerned.

It aims to promote a trade practice free from secret rebates, secret concessions, or secret allowances of any kind,

(1) It was reported in Hardware and Metal of January 15, 1955, that manufacturers of asphalt roofing had adopted a new price policy at the beginning of 1955 and that the system of accumulated rebates had been discontinued.

misrepresentations, commercail [sic] bribery, or misleading advertising. In other words, it is designed to promote open but fair competition."

Section 1 sets out the territorial divisions of Canada for merchandising purposes and has been cited earlier.

Section 1a defines the basis of pricing in the case of a purchaser whose operations may be conducted in more than one of the industry's territorial divisions. In general, provision is made for the application of the respective territorial pricing arrangements to that proportion of the goods purchased which is shipped into each division. Special provision is made for alternative conditions of purchase in the case of a carload order from a distributor at or near a boundary between territories.

Section 2 defines the classes of product within each product group recognized by the industry.

Section 3 defines various classes of customers under the headings:

Wholesaler	B.U.R. Contractor
Catalogue or Mail-order House	Approved B.U.R. Contractor
Dealer	Contractor
Application Company	Caulking Contractor
B.U.R. Jobber	Applicating Contractor

Section 4 contains definitions of shipments under the headings: "Carload Quantity" and "Less Carload Quantity-Freight Basis". In the case of carload shipments a distinction is made between a pricing basis and a freight basis. Also there is distinction between District #1 and District #2 as to what constitutes a carload by truck. The following description of a five-ton shipment for pricing basis only indicates the nature of the definitions:

"To be considered a 5-ton carload quantity for pricing purposes a single order with complete specifications:

- (a) Must be placed for at least 10,000 lb. of Group A, AA, B, C, D, and E, products.
- (b) Must be invoiced to one distributor.
- (c) Delivery thereof, 10,000 lb. in full, must be to one distributor's place or places of business in one locality, or on his order, 10,000 lb. in full, must be shipped to his one customer's place or places of business in one locality, or on his order, to his or his customer's one construction or housing project at one location, or may be

picked up by customer's own or hired truck at manufacturer's plant or warehouse for any destination without freight allowance."

Section 5 defines free delivery limits at certain points in Ontario, Quebec and New Brunswick by setting out the boundaries of such free delivery zones.

Section 6 sets out the terms of sale and is prefaced by the following notes:

"The acceptance of prepayment from a customer on any order for future delivery shall not in any way alter the following conditions as set out."

Paragraph 1 in this section reads:

"All orders will be accepted for delivery at prices and according to freight plan prevailing on date of shipment."

In paragraph 2 "regular terms" are defined as "30 days net from date of invoice or 2% cash in 10 days." An exception is made in the case of what are described as "certain large concerns" for the cash discount up to the 15th of the month and in the case of the Dominion Government terms are given as "2% 30 days, net 60 days."

Provision is made for reduction in price by a fixed percentage in cases where sales tax has been included in the price and where a purchaser is exempt from such tax. The following proviso is made with respect to any future taxes:

"Any increase in sales tax or other impost by the Government (Dominion or Provincial or Municipal) on any of our company's products will be treated as a new and increased charge which will be added to the price of the materials and will, also, apply on all orders or parts thereof in hand upon which delivery has not been actually made prior to the effective date of such tax."

Paragraphs 5 and 6 in this section read as follows:

- "5. Our products will not be consigned to any class of trade.
6. No warehousing arrangement of any kind will be made by us with any dealer, wholesaler, or other distributor who resells roofing materials to any class of trade."

Then follow provisions with respect to freight charges on goods returned by a customer and on returned metal drums.

The final paragraphs in this section are as follows:

- "9. Our desire, in the event of sales being made by our salesmen to contractors or consumers for the account of distributors, is that such sales be at price no lower than our established contractor price-schedule. Our desire is, also, that our salesmen in no way consort with salesmen of distributors so that the intent of the above statement will in any way be subverted.
10. Recognized pooling, based on the voluntary desire of certain adjacently located distributors to derive the benefits of C.L. freight on L.C.L. quantities, is accepted as normal procedure.

It is our intention, however, to prohibit our salesmen from inspiring or furthering the operation of unethical pooling arrangements amongst distributors. The promoting of such pooling arrangements as those which enable a group of distributors each to achieve the special freight allowances on C.L. prices on one carload purchase by one distributor; to divide quantity rebates achieved through the use of one central distributor's name and subsequent 'shadow' sales to other distributors; and similar arrangements not properly based on bona fide purchases and sales; all such evasions of the spirit of this Merchandising Plan will be discouraged by us."

Section 7, entitled "Price Application", consists of 5 pages and in effect sets out the trade discounts for each class of product. The way in which price levels are shown may be illustrated by reference to the first part of the section which deals with Groups A and AA, asphalt shingles, insulated sidings and asphalt shingle sidings:

"89.3% Category	Distributor Prices (100%) Less 5% and 6% in any quantity to: Steam Railways, including Canadian Pacific Airlines, Trans Canada Airways, Quebec Hydro Power Commission - Ontario Hydro Power Commission.										
95% Category	Distributor prices (100%) less 5% in mixed C.L. quantities, as defined, to:										
	<table> <tr> <td>Distributors</td><td>Public Utilities</td></tr> <tr> <td>B.U.R. Contractors</td><td>Industrials</td></tr> <tr> <td>(approved and non-approved)</td><td>Pool Car Participants (on individual orders constituting a carload as defined)</td></tr> <tr> <td>Provincial Govt. Departments</td><td></td></tr> <tr> <td>Municipalities</td><td>Applicating Contractors (No further rebate)</td></tr> </table>	Distributors	Public Utilities	B.U.R. Contractors	Industrials	(approved and non-approved)	Pool Car Participants (on individual orders constituting a carload as defined)	Provincial Govt. Departments		Municipalities	Applicating Contractors (No further rebate)
Distributors	Public Utilities										
B.U.R. Contractors	Industrials										
(approved and non-approved)	Pool Car Participants (on individual orders constituting a carload as defined)										
Provincial Govt. Departments											
Municipalities	Applicating Contractors (No further rebate)										

- 100% Distributor prices (100%) in L.C.L. quantity (less than 5 tons) to:
- | | |
|--------------------------------|-------------------------|
| Distributors | Industrials |
| B.U.R. Contractors | Pool Car Participants |
| (approved and non-approved) | (L.C.L. quantity) |
| Provincial Govt. | Applicating Contractors |
| Departments and Municipalities | (no further rebate) |
| Public Utilities | |
- Contractor Prices in any quantity to:
- All Contractors
- Consumer prices in any quantity to:
- Consumers Individual Workmen"

Section 8 consists of 5 pages and sets out the details of quantity rebates for the various classes of products and customers.

Section 9 is entitled "Standardization and Simplification of Lines". The first paragraph in this section reads as follows:

- "1. In order to conserve labour and raw materials we will not manufacture asphalt roofing or siding shingles over 260 lb. per square weight."

The next paragraphs in this section describe the types and grades and the square footage to a roll in which roll roofing, tarred felts and asphalted felts will be made.

Paragraph 8 is as follows:

- "8. The use of private brands and alternative finishes will not be encouraged, but if employed they will correspond to the grades and prices for the standards shown above."

Section 10 deals with "Seconds and Discontinued or Obsolete Lines". The section describes the type of imperfect goods which will be destroyed and the manner in which goods which do not conform strictly to standard manufacturing specifications will be labelled as "seconds". Under the heading "Discontinued or Obsolete Lines" the following appears:

- "7. We will not sell goods as 'Discontinued or Obsolete Lines'. Either they will be sold as first-class goods or sold as 'seconds' and clearly labeled as such, both inside and outside."

Section 11 is entitled "General Principles". The first part deals with the establishment of warehouse prices at various points in relation to prices at manufacturing points. This is followed by a provision that when delivered prices are quoted and the freight per unit involves a fraction of a cent, the fraction will be omitted. F.O.B. points for the sale of roofing asphalt and coal tar and coal tar pitch are next described. The succeeding paragraph deals with the sale of roofings without fixtures and reads as follows:

"5. Any buyer purchasing roll roofings without fixtures (which include nails, cement, ends, wires, and wrappers) will be rebated 10¢ per square from the highest distributor prices, or in case of 18" rolls, 20¢ per square from the highest distributor prices."

This section also gives certain conditions for the bonding of roofs and after setting out a scale of charges for bonding built-up roofs it provides:

"The minimum charge we will make for Bond or Guarantee will be \$30.00."

The section defines what are plain and blended colours and concludes with a paragraph defining the conditions under which payments are made for advertising.

Section 12 deals with "Freight Equalization, Absorptions, & Cartage Allowances". This is followed by Section 12A, which sets out in some detail the "Basis of Transportation Charges - Shipments into District #2 Only" to which there is a supplement entitled "Formula for Feathering--South Ontario". There is a further supplement, Section 12B, which deals with freight equalizations and absorptions in District #1 only. Reference to these sections of the Merchandising Plan will be made in a later chapter.

Usually included in the Merchandising Plan has been a "Winter Booking Plan". This is a form of discount plan to encourage customers who are in a position to stock goods during the slack season in the construction industry to accept substantial shipments during this period. The 1952 Winter Booking Plan in Districts #1 and #2 applied on shipments of 5 tons or more and provided a trade discount of 5% on deliveries in January, 4% for February and 3% for March. Provision was made for rebates on warehouse stocks if there was a decline in the manufacturer's price during the period and in the event of an advance in price, any unfilled order at the old prices would have to be shipped within 10 days.

It is not possible in a brief review of such an extensive document to indicate all the details of merchandising which are

described or defined in the Merchandising Plan, but it will be evident that the Plan provided a programme which if followed would establish identical conditions and terms in the sale of similar products by any asphalt roofing manufacturer. The features of the Merchandising Plan including quantity rebates were discussed in great detail at meetings of the manufacturers and the discussions were carried on until a Plan which would have industry-wide application was evolved.

CHAPTER V

ARRANGEMENTS FOR COMMON BASIS OF TRANSPORTATION CHARGES

1. Development of Freight Plan

As part of the general arrangement to have common prices in effect at all points of sale and delivery, irrespective of the source of supply, the practice of using a common basis of transportation charges has been followed in the asphalt roofing industry. In the case of Eastern Canada, where there have been plants at a number of locations from which goods have been shipped to the same markets, the arrangements with respect to transportation charges have included detailed provisions which, in later years, have been referred to as the freight plan. The following paragraphs relating to "Freight Equalization, Absorptions, & Cartage Allowances" are included in the 1952 Merchandising Plan for Districts #1 and #2 under the heading "General Clauses":

- "1. Freight equalizations are designed solely to equalize competitive manufacturing locations and will not be utilized for any other purpose.

No car Diversions: Car diversions contravene this principle and will not be allowed.

2. Freight equalization means that, regardless of origin, the buyer will pay exactly the same amount of freight he would be obliged to pay if shipment were made from the manufacturing point, enjoying the lowest freight rate to the destination point. The effect is the same as if the equalization point were an F.O.B. point except that freight equalization carries no responsibility for safe delivery.

. . .

4. Transportation costs on shipments made from our factory or warehouse will be equalized with transportation costs on shipments from any competing manufacturing point or equalization point. This means that, regardless of the location of our factory or warehouse, shipments therefrom will be sold and invoiced as though F.O.B. any competing manufacturing point or equalization point."

Car diversion is apparently the situation which arises when a buyer, having ordered a carload of goods delivered to a particular locality, instructs the transportation company to divert the

shipment, while en route, to another destination.

As asphalt roofing products are relatively bulky and heavy in relation to unit value, transportation charges are an important factor in the final cost to the buyer. The fact that manufacturing plants are situated in a number of localities, some of which are widely separated geographically, and that various types of transportation service are available, introduce many possibilities of variation in actual costs of transporting asphalt roofing products.

It has already been shown that the Merchandising Plan sets out the general principles for freight equalization and defines the necessary relevant conditions to secure uniformity, such as free delivery zones, sizes and types of shipments which qualify for certain classes of rates, conditions as to the pick-up of goods by a customer, cartage allowance and so on. It appears that in the early years of the Association an effort was made to include in the Merchandising Plan all the provisions relating to transportation charges, and to a large extent this remains the situation in Districts #3 and #4. The greater number of manufacturing centres in District #2, in conjunction with the proliferation of trucking routes led to the development of a freight schedule some time prior to World War II.

A few examples from the minutes of the Association will serve to illustrate the method followed in changing the provisions of the Merchandising Plan relating to transportation charges before the adoption of a separate freight schedule. The following appears in the minutes of a meeting on February 15-16, 1933:

- "9. In connection with Item #5 as embodied in the minutes of the meeting of our group held on December 20th, 1932, relative to proper freight rates on shipments to Moncton and Fredericton, N.B. and Amherst, N.S., the Secretary was instructed to embody these in the Merchandising Plan itself and to send out new sheets covering this plan to the group."

(BCL-39-30-4)

The minutes of a meeting held on October 4-5, 1933, contain the following:

- "5. The matter of freight equalization on London, Ont., was discussed at considerable length. At the present time in our Merchandising Plan, manufacturers are entitled to equalize freight with London on an arbitrary rate of 19 cents per hundredweight. After discussion, this arbitrary rate was reduced from 19 cents to 15 cents per hundredweight."

(BCL-39-9-2)

A revised page of the section "Freight and Cartage Allowances (Continued)" was sent out by the Secretary which included a number of paragraphs, one of which was as follows:

"(r) So as to equalize freight on an equitable basis with truck rates, and to place London wholesalers on a equitable basis with Toronto and Hamilton wholesalers, you may equalize freight with London on the arbitrary rate of 15¢ per 100 lbs."

(BCL-39-9-5)

About 1933 some attention was given to a proposal for a system of delivered prices in the central sections of Ontario as a means of overcoming differences in charges arising out of instability in truck and cartage rates. The following was contained in one proposal then under consideration:

"It is further recommended that each manufacturer would add to his own current f.o.b. factory price an amount equal to the approximate of 15¢ per 100 lbs. It is believed that this amount, added to the sums already being allowed by way of freight equalization, plus the fact that the present free delivery areas include about 50% of the population in Ontario now served by this Industry, will provide for the added expense involved in a delivered price policy."

(BCL-39-4-2)

The proposal for a system of delivered prices apparently did not get beyond the stage of discussion, as the minutes of a meeting on January 3-10, 1934, record:

". . . it was clear that agreement could not be found within the group to the adoption of a Freight Paid Plan."

(ARA-261-53-6)

By 1936, steps had apparently been taken to draw up a schedule of freight charges for District #2. The following appears in the minutes of a meeting on December 10-11, 1936:

"9. The Freight Plan as proposed by the Freight Committee was adopted for District #2 only. For the time being the existing Plan will continue in District #1 until the workings of the new Plan in District #2 are shown.

Due to the importance of establishing proper arbitrary and water rates, it was definitely decided that on or before Friday, December 18th all firms would peruse in

detail the freight rates as sent out on October 27, 1936 and advise the Secretary by that date of their acceptance, alteration or rejection of any rates, more particularly those listed as 'arbitrary or water'."

(ARA-261-1-3)

When the freight schedule came into general use in Districts #1 and #2 is not definitely shown in the evidence but the following references in the minutes of a meeting on March 21-22, 1939, indicate that such a schedule had been adopted some time previously:

- "5. The Secretary was instructed to arrange a meeting of a Transportation Committee, consisting of representatives of Montreal and Asbestos Manufacturers, which will have full authority to act and will by April 12th, 1939, if possible:
- (a) Prepare and issue a Supplement to the 1939 Freight Schedule, listing water or arbitrary rates during the period of open navigation, to all affected points in Quebec, Ontario and the Maritimes.
 - (b) Consider a revision in style of the existing Freight Schedule with a view to incorporating desirable changes when next the whole Freight Schedule is re-printed.
At the same time give consideration to the desirability of including (or excluding) the column listing published C.L. rates.

NOTE: A meeting of this Committee will be held at the Mount Royal Hotel, Montreal, on or about Thursday, April 6, 1939 (tentative date only) and prior to that date members will seek all necessary information as to probable water rates, etc.

6. It appeared to be the intention of the various manufacturers in future to publish their own individual freight plans entirely separately from their catalogues, etc."

(ARA-100-2)

The Statement of Evidence gives the following description of freight schedules and their compilation:

"Copies of various freight schedules used in Districts #1 and #2 are among the evidence. Essentially they are lists of all the cities, towns or other points in an area to which shipments are made with the rates which are to be charged to each

point listed. The rates for each type of product and each size of shipment (C.L., L.C.L., etc.) are set out. Five separate schedules are used covering Southern Ontario, Northern Ontario, Southern Quebec, Northern Quebec and the Maritimes, respectively. The Maritimes schedule does not include Newfoundland which is dealt with separately. The schedules cover virtually every point to which a shipment might be made - the one for Southern Ontario, for example, lists approximately five hundred and fifteen points.

The mechanics of setting up a freight schedule are discussed in the evidence of H. J. Reynolds, from pages 615 to 635, and in the documents there referred to. Briefly, a basic formula is arrived at for each product, for example, one formula used in Southern Ontario for shipments of carload quantities of A, B, C or E products was 5th class published rail or commodity rate, whichever was lower, less 6¢ per cwt. (BRC 51). The formulae were established and approved at meetings of the Association. Then they were passed to the traffic committee (a committee composed of traffic men) who worked out the actual schedules.

In addition to following freight schedules, the manufacturers 'feather' rates near free delivery points. Feathering means granting graduated special allowances on shipments to points just outside a free delivery zone. Normally there is a sharp change just at the limit of the free delivery zone - the dealer inside pays nothing but the dealer outside would pay whatever amount is set in the freight schedule. Under the system of feathering the differential is reduced according to a formula. Full details are given in the evidence of H. J. Reynolds at p. 639 et. seq.

The preparation of freight schedules is greatly affected by the instability of trucking rates. The schedule is originally prepared by applying the relevant formula to the latest known rates. In most areas railway rates are easy to ascertain and remain constant until changes are approved by the Board of Transport Commissioners. Truckers' associations also issue lists of rates or tariffs but it would appear that new and different rates are constantly being introduced as new transport firms are set up or old ones open new lines and, on the other hand, old rates cease to be available as transport firms cease operating on certain runs. Each manufacturer keeps the Association Secretary advised of any change which it learns about and he immediately sends out a bulletin covering the change. There is a constant two-way flow of information and hundreds of reports, queries and bulletins are among the documents. Casual amendments are entered on the existing

schedules. When there is a major change, such as a general rate increase by the railways, new schedules are usually necessary. An example of a situation calling for a general revision of schedules is given by a letter of I. Roy of Murray to the Secretary of the Association on April 9, 1951:

"I thought that we might be able to go into the busy summer season with a minimum of incidental revisions to our freight schedules. However, there have been so many changes, especially in L.C.L. rates, truck rates, Inter-Provincial, Summer Maritime Rates for Ontario and Lower St. Lawrence, also Newfoundland Rail and Boat rates that it will call for a definite meeting of the Traffic Committee to look over information and rates in order to reset our Plan on the proper basis. As we are now, we are operating with non-existing rates and in a lot of cases, rates too low for the increases that have been put through. This is true mostly of truck rates in Quebec and Inter-Provincial Truck Rates. Newfoundland rates will be a headache as the complete data is not available, at least not to me. Could you arrange to call a meeting of the Traffic Committee at your convenience, but if at all possible, towards the end of the month? Our Navigation Supplement for Quebec and Ontario will be effective on the 15th., & 25th., and it will be better if we could tackle these rates before those dates. I would appreciate hearing from you at your convenience."

(BPL-54-7)

The 1952 Merchandising Plan gives the following formula basis of freight schedule rates for one group of products in Southern Ontario:

"Groups A, AA, B, C, D Fabrics, and E Products

1. L.C.L.--Up to 9,999 lb., 5th class rail rate, as published February 11th, 1952, from nearest equalization point.
2. L.C.L.--From 9,999 lb. to 19,999 lb., 6th class rail rate, as published June 1, 1951, from nearest equalization point.
3. C.L.---7th class rail rate, as published June 1, 1951, subject to our feathering plan indicated herewith, or our sales arbitrary rate indicated on our Freight Schedule, and both applying from nearest equalization point."

2. Transportation Charges and the Common Basis of Pricing

It is evident throughout the evidence that members of the Association have regarded the fixing of transportation charges as one element, and a very important one, in the uniform price structure which has been maintained for the industry. Where, because of fluctuating transportation rates or other factors, it was difficult or impossible to apply any standard freight charge to particular shipments recourse would be had to an arbitrary rate to be included in the freight schedule. Such an arbitrary rate would be set originally at a level which, it was hoped, would preclude actual shipments at any lower rate. In an inter-office letter of October 8, 1946, the Maritimes manager of Brantford made the following comments on an arbitrary rate which had been established for shipments to Truro, N.S.:

" . . . Furthermore, it must be borne in mind that actually, this Arbitrary Rate, was, in a sense, a compromise, as previous to that time, at least certain of the Truro dealers, were able to obtain their carload shipments with full freight allowed. You will remember that the same condition existed at Bathurst, and Dalhousie, and in view of the fact that the Geo. Eddy Company Limited interests were able, in the past, and during the days of keen competition, to break the market so far as freights were concerned, we would feel that they would make a concerted[sic] effort to do the same thing again if the present set-up is changed, and, while we do not wish to express a lack of faith in human nature, we do feel there is a great rish [risk] that sooner or later, some manufacturer would fall and this whole thing revert to a decidedly worse picture than the present Arbitrary set-up. For this reason, we recommend that the Truro rates remain unchanged."

(BRC-57-1-2)

The absence of a freight schedule in District #4 and the situation which might follow from this were mentioned in a letter of October 16, 1946, from the Manager of Barrett's, Vancouver, to the eastern office of the company:

"Recently we have received a number of kick-backs from dealers on Vancouver Island because competitors' freight rates are somewhat lower than ours. Checking into this matter it was found that since Sidney is located in Victoria and Victoria and Esquimalt are in the free delivery zone, they can ship a certain distance up the Island cheaper than we can ship from Vancouver; then down from Nanaimo or up from Victoria depending on which is the closest point.

. . .

It can readily be seen that in order to be competitive we are forced to think in terms of Sidney shipping via trucks up the Island; and also of our competitors in Vancouver shipping from Vancouver to Nanaimo and down the Island.

...
This situation, plus the situation of the mixed hardware car arrangement to the Interior, will allow you, I feel, to understand why I have been thinking of the desirability of a set freight rate for key localities as is done in District #2 according to the Merchandising Plan in that area; for when goods become in freer supply I have a feeling there is going to be a battle with competition in which freight rates are going to play a large factor."

(BCL-94-13-2)

Notes of a meeting of the Association on June 18-20, 1947, which were in the files of Carey, contain the following:

"Water Rate absorption to Annapolis Valley

J. M. agrees to yield to majority and eliminate 12¢ absorption on lead of Murray & Brantford, in order to try out majority feeling. If not workable to them will discuss and change after fair trial. Make change for Dist. 1.

...

Barrett proposes May 19th as date of opening of navigation for 1947 as effective date for water rate usage and equalization. Motion lost."

(PCM-8-1-2)

The official minutes of the meeting appear to record these points of discussion in the following way:

"2. Brantford Roofing declared that they would charge the known year round lowest rate on both C.L. and L.C.L. shipment to points on the D. & A. Railway, which were also considered water points out of St. John, N.B. . . ."

(ARA-184)

Apparently there were some reductions in freight allowances to some points in the Maritime Provinces at the beginning of 1947. Writing to Brantford (Maritime) on June 2, 1947, E. M.

Cockshutt of Brantford said:

"As to whether we were right or wrong in changing our freight absorption, this I think is something that only the Roofing Manufacturer can say.

Our basis was, and still is, that we had absorbed more freight than was really necessary and such freight absorptions were cut down in the Maritimes and in Ontario and Quebec. It is perfectly true that in the Maritimes you still have a freight absorption of .12¢ when you have any quantity rate in existence. In Ontario and Quebec, this spread is only .6¢. The peculiar thing is that in this part of the country we have had no agitation whatever from any buyers or groups of buyers for a change in our freight rate. They recognize it for what it is, an adjustment on the freight basis which we formerly used and an increase in price. . . ."

(BRC-71)

In a memorandum of April 29, 1948, J. D. Tweedy of Barrett made a report on a meeting held among representatives of asphalt roofing manufacturers and lumber dealers in the Toronto area. The memorandum makes the following reference to a statement attributed to Art Wynne, then with Canadian Gypsum:

". . . [Art Wynne] stated that the freight rates as established by the Industry was to overcome price cutting in this line and establish fair and competitive prices among dealers in the same location. . . ."

(BCL-93-3-2)

Reference to the discussion among Association members about certain freight allowances being granted at the time in Alberta by Sidney is contained in the notes of Mr. Welch, then of Sidney, of a meeting in Winnipeg on January 19-22, 1948, as follows:

"Great pressure was brought to bear upon Sidney to discontinue freight allowances to Calgary and Edmonton. Building Products at first announced that should these freight allowances continue, they would be forced to grant them in Lethbridge, but later went along on the basis that due notice would be given before Lethbridge allowances were set up. If we do not hear from Building Products, we will be entitled to assume that they do not intend to go ahead with this. It may be the end of March before they are able to reach a decision. All Companies stated that they had no intention to extent [extend] these allowances to Lethbridge at the moment, but all Companies except Sidney expressed the fear that these allowances, if allowed to remain,

would spread to other points in both Alberta and Saskatchewan.

It was suggested by W. Moffatt of Alexander Murray that we should eliminate these allowances on the basis that if this proved detrimental to Sidney's business, then Sidney would have the right to reinstate them without discussion at any time; . . . Sidney, after expressing their appreciation of this tentative compromise, stated that these allowances were something that were basically necessary from a long term standpoint to offset freight inequalities, and would become more necessary under more competitive conditions, and especially under increased freight schedules, and that they could not see their way clear to making any move now to weaken that position."

(SRP-1-7)

Since the war several increases in railway freight rates have been authorized. These include a 21% increase effective on April 8, 1948; a further increase of 8% on October 11, 1949; another increase of 7.4% on March 23, 1950, and one of 3.4% on June 16, 1950.

Increases of this kind are a significant factor in the delivered cost of materials used by the asphalt roofing industry and in the shipping cost of finished products under the freight equalization system followed by the members of the Association.

On April 5, 1948, the Association Secretary sent out a circular notice of a forthcoming meeting which included the following:

"The new freight rate schedule by the railways at least, will be in effect the opening of business Thursday, April 8th. Each company's traffic division I believe has been working on changed schedules for about a week now and undoubtedly by the meeting will be in a position to establish new standard rates and make recommendations on arbitrary rates."

(BCL-14-4)

The minutes of a meeting on April 13-14, 1948, record the following:

- "2. Building Products Limited, through Mr. H. J. Reynolds, Head of their Traffic Division, stated intent to add the increase of 21% recently granted to the common carriers, to their current rate schedules throughout Eastern Canada. These schedules take in rail, truck and water movements and any arbitraries established therewith. Mr. Reynolds stated that there also had been some modest adjustment made on their rates out of Asbestos, Quebec, because their previous schedule had not included charges on the

Danville and Asbestos Railway."

(ARA-178)

It will be noted that the manner in which the paragraph in the minutes is worded would suggest that Building Products had taken the initiative in increasing rates out of Asbestos, Que. where a plant of Johns-Manville is located. In his evidence Mr. Reynolds made the following comment on the manner in which the changes in the freight schedule were prepared:

"A. Well, the traffic department did make a recommendation, and I made it on behalf of our company, made the announcement, but it was as the result of a meeting of the traffic committee.

Q. The traffic committee being composed of men representing the several companies?

A. That is right."

(Transcript, pp. 635-636)

The Merchandising Plan, as has already been pointed out, provided for freight charges on a carload (C.L.) or less than carload (L.C.L.) basis in accordance with the definitions for these quantities. In 1948 some question appears to have arisen as to whether L.C.L. freight charges were being added in all cases when sales were made in L.C.L. lots in Ottawa where some manufacturers apparently maintained warehouse stocks. The addition of L.C.L. freight would, of course, result in a higher price than if only C.L. freight was added. The notes of the Secretary in connection with an Association meeting on September 9-10, 1948, include the following:

"Ottawa Freights LCL at CL frts

BP	Full LCL plan	Viceroy LCL
Cur		Bar "
Carey	" " "	Bis "
CJM	" " "	A.M. " within 2 mos.
		Bfd "
		TA "

Wynne says page 20 allows CL frt on LCL Shipments

BP declares will meet unless changed -

Hold"

(ARA-64-22-5, 64-22-5a)

On page 20 of the Merchandising Plan which was apparently the one in use at that time a section entitled "Warehouse Prices" reads as follows:

"1. Warehouse prices at non-manufacturing points, except Quebec, P.Q., will be the corresponding factory prices

plus carload freight, subject to authorized freight equalization, plus handling charges where practicable."

Referring to the situation in Ottawa in a letter of November 5, 1948, to W. G. Currie of Currie, C. J. Kirlin of the same company wrote:

" . . . You and I both know that there are accounts buying at the C/L rate regardless of Quantity. K. & L are one - from T. A. - See first clause Page 20 our plan. This is interpreted by some to mean C/L rate. You will recall that T.A. much to BP's disgust so stated at a former meeting. Question likely to come up at next meeting and I mention it so as you will be posted."

(CPL-24-2-2)

The following is included in a further letter of November 18, 1948, from Mr. Kirlin:

"[B.P. are] only charging C/L rate freight. Checked with Herb. Reynolds on this and he admits it and claims that now C/L rate is pretty general. You will recall that this has come up at meeting T.A. and possibly instigators and that B. P. answered if this was the state of affairs they were going to meet it. It's my guess that for 1949 the official Ottawa prices will be List plus C/L rate of freight.

. . ."

(CPL-24-1-2)

A Merchandising Plan in which the sheets are dated January 2, 1949, contains the following section entitled "Warehouse Prices":

- "1. Warehouse prices at Ottawa, Ontario, will be our Montreal Quebec, prices plus applicable freight rates from Montreal. Warehouse prices at Halifax, N.S., will be our St. John, N.B., prices plus C.L. freight from St. John plus handling charges."

A further reference to the Ottawa situation is contained in a letter of the Association Secretary of March 30, 1949, to Eastern manufacturers:

"You will recall the discussion about the practicability of Ottawa warehouses and warehousing charges.

One of the companies stated that they would review the matter. I now learn that they will make no change in their

Ottawa warehousing situation, selling out of there at L.C.L. prices plus L.C.L. or arbitrary Montreal freight. No 5-ton trucks for incoming carloads, 10-ton being minimum. They will not add warehousing charges."

(BRC-26-3)

A somewhat similar situation to that indicated in Ottawa appears to be referred to in a letter of August 16, 1950, to C. P. Wyman of Bishop from R. O. Boland of the same company in which the latter said:

"5. Was the letter you mentioned re the next meeting just a note from Brown or was it an advice of meeting ? I very much fear that the Quebec question is going to be a main item because others are now worried over the LCL's from our warehouse. I have tried to catch someone doing the same thing here in Montreal so that I would have something to stand upon, but it just is not done. What do you think of the whole mess ? There was never a sound reason for Maurice to start the habit and there are many very sound reasons why he should stop the practice at once, not because others wish it but for our own good."

(BAP-31-1)

Another example of the manner in which freight charges were considered to affect the cost of goods is contained in a further letter dated October 10, 1950, from R. O. Boland to a company salesman:

"I have just been jumped upon for a car recently shipped to the north on which we busted our merchandising plan wide open. I refer to the pool-car to C.D., Atchison-Davis and Taylor Hdwe.

While I have no objection to your customers ordering goods from us to all be loaded in the same car, providing each pays the proper price for the quantity involved, I must insist that the whole lot be consigned to one party. We might consider invoicing each for his part, but they must arrange the freight amongst themselves.

On the shipment in question, we invoiced each one for his quantity plus the CL fght and I am in the dog house because the invoices have been shown around. In effect, we are establishing the fact that it is no longer necessary for anyone up north to buy a CL to get the CL fght rate."

(BAP-27-9)

The following portions of notes taken by G. D. Schroeder, Barrett, of an Association meeting on February 2-3, 1949, indicate the close attention which was given to any variations from conditions set out in the Merchandising or Freight Plans:

"Freight Plan shows 36¢ rate to Sydney (Summer Rate) should be 41¢. Applies to Sydney, North Sydney & Sydney mines.

Cockshutt states deliveries of 5 tons being delivered to Railway station or Steamship Dock for furtherance at C.L. prices at St. John.

Understanding of all Manufacturers that 5 ton shipments at free delivery points is to Customer's place of business or Customer's Customer's place of business or his own truck only.

. . .

Free delivery to Three Rivers - Bishop only allowing freight allowance to their accounts who pick up with own truck at their plant.
Bishop wishes to correct.

Free delivery to Drummondville - Carey have reports shipments to Sherbrooke diverted and dealer pays no freight.

Delivery to Charette - free delivery reported by Carey to dealer supposed to be Bishop. Denied by Bishop.

Freight Cartage allowance at Windsor of 5¢ per cwt. All companies not clear will check & report next meeting."

(BCL-74-4-4, 74-4-6)

When an increase in railway freight rates was authorized in the autumn of 1949, the Association Secretary sent the following telegram to Bishop on September 23, 1949:

"WHAT IS YOUR VIEW POINT ADDING 8% TO NEAREST CENT TO YOUR FREIGHT SCHEDULE WHERE FULL RAIL RATES HAVE BEEN USED SUCH AS MARITIMES NORTHERN ONTARIO NORTHERN QUEBEC SOUTHERN ONTARIO SOUTHERN QUEBEC STOP FEELINGS ALREADY EXPRESSED ARE LEAVE ARBITRARIES ALONE SINCE TRUCKERS MAY NOT MOVE AND NO INDICATION OF ANY CHANGE IN NAVIGATION SUPPLEMENTS."

(ARA-37)

The Bishop reply to this telegram under date of September 24, reads as follows:

"Your telegram this morning reference adding 8% to freight schedule.

See no objection to this-although I don't think there is much to gain by immediate action. I would personally prefer to see both prices-and complete merch. plan established for 1950 rather than jump in now with any freight changes.

If we can work out a 1950 complete plan to start on December first this year-it would seem to be better and would have more stabilising effect. Previous to 1949 price changes etc were occurring every few months. 1949 has been a complete year with no changes-and I think if this same idea can be carried through to let things stand as they are now and work out a new complete 1950 set-up it would be generally better for the industry.

. . .

Just my idea-but will go along with with[sic] thinking of others."

(BAP-32-4)

A Murray document of October 12, 1949, makes the following reference to the effects of the increased rail rates:

"I have made a check of the effects of the 8% freight rate increase on our various lines.

1. ROOFING LINES: The effect on this line can be offset by the readjustment of the freight plan which no doubt will be discussed at the next Association meeting. I have shown you before you left how our absorption would be increased to various points which works on the average to about .02 per cwt. The only other point seriously affected is St. John, N.B. with an increase of .04 per cwt on freight only. This will reduce our gross profit on Shingles from 13.8 to 12.4 and from 12.3 to 11.2 on 90-pound Roofing. We will, of course, be forced to absorb the excess freight on shipments into F.O.B. points where we are shipping by rail. There are very few of those; the majority being serviced by trucks. I might mention here that there has been no indication that Trucking Companies will increase their rates.

. . ."

(DTC-36-3)

Notes made by R. G. Rogers, then of Carey, dealing with a meeting on October 26-27, 1949, contain the following:

"Freight Rates (Increase 8% till new rates published)

Freight committee to revise freight rates in Northern Zone & Maritimes to compensate for last 8% freight increase
(Effective Nov 1)

(These changes will be effective on straight rail rates only - i.e. not arbitraries.)"

(PCM-12-1-4)

When a further increase in rail freight rates was in prospect early in 1950, C. P. Wyman of Bishop wrote to R. O. Boland of the same company:

"Increases in freight rates will be coming into effect within 2 weeks likely on 15th- or maybe not until 20th- but whatever increases in outward shipments should be passed along to customers-AT ONCE. Charlie phoned me this noon-said he had checked with several companies and couldn't reach you- so I told him my idea was to pass it along whatever it was except in cases where we had to equalize and in which case we are stuck until such time as industry moves on prices."

(BAP-9-3)

On March 20, the Association Secretary wrote to Bishop:

"The Industry Traffic Committee has just finished a two day meeting wherein individual companies set up freight schedules, and in effect, passed along, in a new freight schedule to be published shortly, the recent increases granted the rail-ways. As a matter of interest, while we learned that no truckers seemingly are increasing rates, individual companies effected a modest pickup in some arbitrary trucking rates."

(BAP-8-2)

As members of the Association were using the same Freight Plan the change in rates must have been a general one.

In the preceding chapter reference was made to a general increase in prices in June, 1950. In writing to the parent company in Chicago on June 12, 1950, requesting approval of a recommendation to advance prices to levels announced by Building Products, F. B. Gibbs of Canadian Gypsum mentioned various increases in costs which were being absorbed. Among those listed were the following:

". . . Freight rates inbound 20%. Outbound equalization loss also 20%.

. . .

Higher volume in Quebec equalizing Montreal at \$9.00 per ton reduces our mill nets 10%, average 3%.

. . .

(CGC-15-2)

The somewhat involved language which the Secretary of the Association used in referring to the activities of the committee which worked out changes in freight rates is apparent in the following notice of a meeting which was sent on September 26, 1950:

"TRAFFIC MEETING

ROYAL YORK HOTEL, TORONTO - OCTOBER 11 & 12, 1950

There will be a meeting of the Industry Traffic Committee at The Royal York Hotel, Toronto, getting under way at approximately 9.30 Wednesday morning, October 11th. It is believed that the work can be completed by the end of the second day and perhaps a trifle before.

You will recall that at the time the railways had their last freight rate increase, your company changed its schedule out of your equalization point. You expressed the thought that the schedule, being done in a hurry, might be in error. It has so turned out that this assumption by some was correct. In a number of cases your rates have turned out to be over what your dealers should pay; in other cases the rates are less than your dealers should pay.

Pending the meeting, would you be kind enough to go completely over your schedule out of your equalization point, so that you might be in a position to state your lowest rates, whether they be rail, water or truck, during the meeting."

(ARA-193-5)

The evidence contains one example of manufacturers in British Columbia adopting a freight schedule for part of the district. On August 18, 1950, the assistant general sales manager of Sidney wrote to Canada Roof:

"This is the day I was to follow you up with regard to Island freight rates. Can you tell me if you have finalized your thinking yet?"

(CRV-9-4-2)

The reply of August 23, 1950, from Canada Roof reads as follows:

"Further to yours of August 18th with regard to the Island freight rate equalization tables, I have discussed the matter with both Mr. Bordewick [Murray] and Mr. Hudson [Barrett] and they are both willing to go along with the table suggested by [y]ourselves. It will, therefore, be in order to distribute your freight [t] equalization tables to the manufacturers concerned."

(CRV-9-4)

The evidence does not indicate whether the practice of a freight schedule for Vancouver Island was continued. The following is contained in a monthly report for January, 1951, prepared by Barrett's Vancouver manager and sent to the Eastern office on March 10, 1951:

"MERCHANDISING CONDITIONS:

Competitive situations arose on Vancouver Island over freight equalization on Victoria. This is something which crops up from time to time but is not a serious factor. Frankly many of these situations would not come into being if we had an established Freight Schedule as exists in the two Eastern Districts."

(BCL-61-7)

The question of the diversion of carload shipments, against which there has been a provision in the Merchandising Plan, appears to have been considered at a meeting on May 9-10, 1951, as the Secretary's notes contain the following:

"Car Diversion Maritimes

All to watch & work to stop"

(ARA-210-23)

The matter was taken up again at a meeting on February 6-7, 1952, as the minutes record:

"7. . . . The principle of car diversion was seriously and broadly discussed and all companies stated intent to discourage such practice."

(ARA-137-2)

The notes of the Secretary covering the meeting contain the following reference to the same matter:

"Car Diversions

C.J.M.	out	CRP	out	
Bar	out	Sidney	out	<u>Write in Minutes</u>
Bfd	out	BP	out	
Am	out"			

(ARA-210-54B)

The working out of a formula for prices at a warehouse point is indicated in the following letter of July 23, 1951, from C. P. Wyman to another official of Bishop:

"Charlie Browne [Association Secretary] phoned this afternoon. Said he had been advised that Murray's had arranged new formula for Halifax ex Whse in view of increased freight costs effective July 26th.

A. & AA Products: St. John Prices plus 25¢/100#
 freight charge plus
 10¢/100# whse charge
 figured to nearest 5¢
 (i.e. under 2 1/2¢ dropped-over
 2 1/2¢ becomes 5¢)

B.C.D. Felts: St. John prices plus 25¢/100
 freight charge plus
 15¢/100# whse charge to
 lowest 1¢
 (i.e. - 2.8¢ becomes 2¢)

E. Plastics St. John C.L. Commodity plus 25¢
 freight plus 50¢/100# whse
 charge to lowest 1¢

E. Liquids: St. John Dealer price plus 5¢ gal.

I checked this back with Charlie and think that is correct but when you return you should check with Murray's to make sure I have it right.

Meantime I will send copy of this to Warren- as think it is near enough right for him to use. . . ."

(BAP-42-9)

On July 25, 1951, the Association Secretary sent a circular letter to manufacturers containing the following:

"Within the last few days you will have received amended freight schedules, effective July 26th, caused by increased freight rates by railways.

We are presently sending you changed schedules for the Ontario Navigation Supplement, also effective July 26th. . . .

As you know, we are working on the effectiveness of truck rates to certain points in the Maritimes and if straight rail rates are eventually published we will send them out in the form of schedule changes.

We are also working on the discontinuance of a number of points as covered in your St. Lawrence River Navigation Supplement, though nothing can be changed at the present time.

. . .

No new schedules have been issued covering Southern Ontario as this schedule was set up a few weeks ago on a complete truck rate basis and the Ontario truckers are making no changes in the rates adopted. . . "

(BPL-53-6)

Writing to the traffic manager of Building Products on August 1, 1951, I. Roy of Murray said:

"Attached is a resumé of the truck rates that we have been able to obtain in the Maritimes as compared with the existing rail rates incorporated in our Merchandising Plan. As discussed over the telephone, can you complete the attached with the information that you have, after which, please pass it to Mr. Whelan of the Barrett Company to be completed.

You will notice that in nearly all instances the truck rates are about .05 cents lower than the carload rate by rail. Of course, these truck rates do not include the July 26th., increase, whereas the rail rates do. Furthermore, as you advised previously, the truckers do not seem to concern themselves with the 3rd., and 4th., class rate. It is evident from the attached that some truck arbitraries may have to be introduced in our Maritime Plan."

(DTC-27)

Notes of a meeting on September 11-12, 1951, contain the following:

"Revised truck rate in Maritimes were presented by the committee and approved - these are to be published and also made

effective Oct. 1st. (Rene Roy)."

(ARA-63-9-12)

Also in 1951 a new freight rate formula for the province of Quebec on Group D products (built-up roofing materials) and a new schedule of rates were worked out which increased the return to manufacturers on certain products. Mr. I. Roy of Murray was delegated to prepare the new rate schedule. In a letter of August 8, 1951, to the Association Secretary, Mr. Roy wrote:

". . .

I feel that the change in the above formula should be approved by all concerned before we attempt to take up the actual rates. With the exception of stations where we have a truck arbitrary rate published, we will be gaining an average of .03 cents per cwt., on all L.C.L. shipments of Felts and Pitch, which I feel is a considerable sum of money at the end of the year."

(DTC-31-3-2)

In notes of a meeting of the Association on September 11-12, 1951, the following appears:

- "(4) Schedule of Freight rates in Southern Quebec is to be revised to provide C/L and LCL rates on D Products (exc. Bit.) and D Bitumens in place of any quantity. Rene Roy of Alex. Murray will forward revised rates to Industry Office and publication - effective date to be Oct. 1st."

(ARA-63-9-12)

That departure from the Merchandising Plan including the Freight Plan, on the part of one manufacturer would be closely observed and made the subject of representations by other manufacturers is apparent throughout the period covered by the evidence. There was a meeting of the Association on February 20-21, 1952, at which R. O. Boland of Bishop was present. On February 22, 1952, Mr. Boland wrote to other officials of Bishop in part as follows:

"I have just been given quite a ride during the past two days on the subject of 'accumulating' shipments and holding the delivery slips to make up one invoice totalling 5 tons.

One of the unfortunate things we have to contend with in this world is the fact that very, very few people have sense enough to keep their mouths shut regarding special favors received. Regardless of where the chips may fall, I greatly fear

that we will have to go right back on our Merchandising Plan 100% in this respect. The 5 ton discount can only be given on a shipment of 5 tons shipped at one time. If you feel that it is absolutely necessary to have an exception to this, please drop me a line."

(BAP-13-6)

3. Revisions in Freight Plan Relating to Warehouse
and F.O.B. Points

The operation of an industry-wide freight plan requires that there should be a common policy among all manufacturers as to the shipping points which would be taken as equalization or f.o.b. points.

In minutes of an Association meeting at Winnipeg on April 24-29, 1933, the following appears:

"That in our new plan each manufacturer would have one price in any quantity to each respective class of trade, f.o.b. Winnipeg or Vancouver or Victoria.

. . .

After discussion the principle was agreed upon that in quoting or selling roofings or sheathings into the Province of Alberta, that the basis of such quotations or sales by each manufacturer should be his own company's f.o.b. Calgary or Edmonton warehouse schedule to his own Alberta trade lists."

(BCL-38-11-2, 38-11-4)

The minutes of an earlier meeting at Montreal on April 6-7, 1933, record the following:

"4. Mr. E. Bishop of Bishop & Sons Limited stated that his company had opened up their own warehouse at Quebec City and that his Company was considering making Quebec City not only an F.O.B. point and a free delivery point but also a freight equalization point as well. After discussion of this matter, however, Mr. Bishop stated further that he would not take any action on this matter at this time, and if he felt later that it would be advisable in his own Company's interests to take such a step that he would notify the other manufacturers to this effect before so doing."

(BCL-39-26-9, 39-26-10)

This matter is mentioned again in the minutes of a meeting on August 29-30, 1933 as follows:

- "1. Mr. E. Bishop of Bishop & Sons Limited declared that as at September 1st, 1933, that his company proposed to make Quebec City and Levis, Que., F.O.B. points and freight equalization points on all lines other than asphalt shingles and asphalt sidings of all types and pitch, asphalt compound and coal tars."

(BCL-39-12-5)

The question of the extent of a free delivery area around Portneuf, the location of the Bishop plant, was discussed and apparently settled at a meeting on October 18-19, 1934. The following references are made in the minutes:

- "17. The matter of a free delivery around Portneuf was then brought before the meeting. Messrs. Bishop & Sons, Limited suggested an area of about fifty miles around Portneuf, particularly as they felt that Three Rivers is practically an F.O.B. point at the present time. After considerable discussion and in view of the importance of this matter it was decided to leave it until to-morrow for definite decision. . . .

. . .

30. Discussion was resumed on free delivery limits for Portneuf, Que. and in accordance with the announcement of Messrs. Bishop & Sons, Limited these are now accepted as follows:

Portneuf, including Cap Sante, Donnacona,
Pont Rouge, Deschambault, St. Marc. St. Casmir,
St. Raymond and St. Basile."

(ARA-261-37-3, 261-37-6)

The towns mentioned would appear to establish an area considerably less than the fifty miles which Bishop had originally proposed.

The fact that in the Maritime Provinces Brantford is the only manufacturer with a conversion plant making shingles and roll roofings appears to have made the question of warehouse stocks in that district of considerable significance. In minutes of a meeting held on June 10-11, 1948, the following appears:

"It was stated by several manufacturers that some freight adjustment might be necessary in the Maritimes through the establishment of warehouses at centres other than present manufacturing or warehousing points."

(ARA-177-2)

The question of warehouses in the Maritimes apparently came up again at a meeting on July 7-10, 1948, as notes of the Secretary contain the following:

" . . .
Maritime whse. Bishop says Moncton & Sidney out. So far as dealers concerned. Comments if opened will add whsg charges at points opened.
. . . "

(ARA-64-14-4)

A general discussion of warehouse stocks is indicated by the following reference in the minutes of a meeting on March 17-18, 1949:

"Some of the detrimental aspects of warehousing roofing merchandise in connection with distributor stocks was brought out in brief conversations."

(BPL-30-3-2)

The matter was discussed further at a meeting on May 18-19, 1949, according to the following reference in the minutes:

"6. The continuing detrimental aspects of warehousing roofing merchandise in connection with distributors or on distributors' premises was covered in brief conversations. Most companies expressed viewpoints that it was only good business to confine their warehousing points to areas where the costs of operating could be wholly justified."

(ARA-167-2)

Discussions among the manufacturers on the question of warehouse stocks appears to have been the subject of the following letter written on May 29, 1949, by R. O. Boland to C. P. Wyman, both of Bishop:

"Austin [Austin Feron, agent for Bishop in the Maritimes] seems to have misunderstood my letter of 21st May. I, at no time suggested that he close the warehouses at Sydney and

Moncton but merely pointed out that we should find some way to satisfy other manufacturers and that this could be done by means of a service charge.

I agree with you that there are some who will try to push us into a corner at every opportunity but I have been in the game long enough not to let this happen and I can give them push for push. However, we must, at times, give in in a spirit of co-operation if we are to maintain our profit level by maintaining the general level of the entire industry. We have a warehouse at Quebec and this is not being questioned because it is close to our plant and considered as a manufacturing point. St. John, N B. and other areas are in the same category.

The objection is that quick delivery of small shipments out of Moncton and Sydney give us an advantage which cannot be met by the balance of the group but they would be quite satisfied to let things stand on the basis of a 10¢ a C.W.T. warehousing charge since all realize that there are other items involved besides roofing and that warehouses at Moncton and Sydney are necessary for these other products.

Austin is again making a snap decision realizing full well that the cost would be ours and I should like to point out to him that we did not ask for elimination of the two warehouses involved. I wish to write to him along these lines but will wait until I have spoken to you over the phone.

We both know that Austin has little regard for anything but his own profit and unfortunately other people are well aware of this fact. It is therefore necessary for us to do our best to keep him on, at least, a semblance of the right track."

(BAP-33-5)

What appears to be a concluding reference to the question of warehouses at Sydney, N.S. and Moncton, N.B. is contained in notes of a meeting on May 9-10, 1951, as follows:

"Sydney N.S. & Moncton N.B.
Warehouses cleaned up"

(ARA-210-23)

The same notes also contain the following reference to Moncton:

"Moncton Mail Order
Now cleaned up"

This note appears to relate to a situation which had developed in the previous year when Carey had made Moncton an f.o.b. point for sales made to Eaton's mail order. Mr. Boland of Bishop made the following reference to it in a letter of October 12, 1950, to a company salesman in the Maritimes:

"The matter of Eaton buying fob Moncton must have slipped my mind because I had intended to give you the dope. Last spring there was quite a mix-up between what Feron was supposed to have done and what was being done by CGC and I suspect that for once Austin was not at the bottom of the trouble. In any case, Carey got sore and declared Moncton an fob point for Eaton. We managed to confine the matter there although it was known that Mac Lennox was selling from his warehouse, but the quantities were small. Carey have told Palmer that the deal will be off soon and that is why he is up in the air. He will go back to buying from St John warehouse and he is going to be even madder because he will be put on the straightmds plan. The order you refer to is in line with a plan set up by BP & Murray to combat the fob idea. They simply save up the Eaton orders and when they have 5 tons they ship from St. John, but they find that this costs a lot of money. I am sure that all will be cleared up before the end of the year.

. . .

C.P.W. PLEASE DESTROY AFTER READING."

(BAP-27-8)

The situation from the viewpoint of Carey is described, as follows, in a letter of December 11, 1950, by J. A. Edmonds of that company to another official:

"The action of the Carey Company in establishing the subject account on an f.o.b. Moncton basis has had very serious repercussions in the roofing trade. So intensive is the pressure being brought to bear that we are faced with a number of points in the Moncton area which are about to be established as f.o.b. points.

I have studied this matter at great length and am convinced that of all the companies operating in the Maritimes, our company is the one which stands to lose the most if other people go ahead with their present plans. It would be most uneconomical for us to ship into New Brunswick if two or three towns are set up as f.o.b. points.

While appreciating the vast volume of business given us by The T. Eaton Co in 1950, I have decided that we will withdraw from

our present arrangement. Therefore, effective January 2, 1951, Moncton, N.B. will no longer be an f.o.b. point.

It is my hope that when I am next in your territory we can go together to see Mr. Palmer and I feel confident that I can explain our move in a manner which will assure us of retaining a goodly share of his 1951 business. I would prefer, Bill, that you do not advise Mr. Palmer yourself in this matter and I am obliged to advise you that this decision is irrevocable.

Please destroy this letter after you have digested its contents."

(PCC-13-3)

The Bishop Company had apparently been giving consideration to the possibility of having warehouse stocks at Moncton, N.B. In a company letter of October 19, 1950, Mr. Boland wrote:

"At a recent industry meeting I explored the general thinking on the subject of our possibly considering Moncton as a warehouse point. It is Mr. Wymans feeling, and mine, that Moncton is becoming more of a distribution point than St John and this fact is admitted. However, it is agreed that FOB points should be confined to Mfg points even if there are now warehouses at Halifax and Quebec where there are no plants.

There is sound reasonableness in confining warehouses to mfg points since any real departure would result in a dog fight with consequent cash losses to us all. . . .

. . . ."

(BAP-27-7)

The matter of warehouses at Halifax, N.S. appears to have been the subject of negotiation among members of the Association over a period of months. Writing to another official of Bishop on June 4, 1951, Mr. Boland said:

"Since first being assured by others that it might be possible to close all the warehouses in Halifax, I have mentioned the problem each time I have spoken to any of our associates, and will make the point quite strongly during this weeks freight meeting. Either all warehouses must be closed, but soon, or we must go in with ours, that is my argument.

St. John is quite another matter. You just can not ask a fellow to close up an expensive plant, and since the plant is there, it must be an fob point and, therefore, Bishop must have a St John warehouse to stay in business in the Maritimes.

I do not think it would be a good idea to ask for the removal of the 5 ton bracket because we would simply all be back to delivering small LCL's and end up with base price because most dealers qualify.

With Halifax warehouses out, and 5 ton shipments moving at lcl rates or ex St John, Portneuf or Montreal, everyone would sell just as much, and at a higher profit. With Halifax out, there are probably many revisions which can be made to the truck arbitraries.

I think we should fight on the above basis, plus any changes you might suggest.

. . .

PS- There is one point we must not overlook. During my last trip with Warren, I hinted to some of the Halifax wholesalers that we, Bishop, were trying to force the closing of the warehouses. That is exactly what they want, and it will be of real value to us if they retain the impression that Bishop brought it about."

(BAP-43-4)

He referred to the same matter in a letter of June 22, 1951, as follows:

"In yesterday's note covering the industry meeting, I mentioned that quite some time was devoted to the above subject. The general feeling seems to be that it will be possible to close all Halifax warehouses but there are many things to be settled by the various members, such as leases, sub-lets, stocks other than roofing such as Donnacona, Asbestos Sidings, etc. It might come to a head within a few months and it might take a few years.

The St John warehouses will never be closed and I am quite certain that there will be no change in the merchandising Plan. It is the general impression that the present plan is about the best that can be found and, I agree with this.

This brings us right back to whether we, Bishop, decide to go after our fair share of the Maritime business, or pull out. Most certainly, we could never expect to make any money without at least one warehouse, although I have been rather pleasantly surprised with the business Warren has managed to pick up. Since there might be a move by all manufacturers in Halifax, there is no great rush for a decision by Bishop but, we

must give serious and prompt thought to the St John situation .

. . .

. . . "

(BAP-43-2)

The notes of a meeting on July 11-13, 1951, contain the following reference to Halifax warehouses:

"Halifax Whses.

AM cannot withdraw at least for 1 year

But roofing not too important.

All keep studying for Jan 1/52 but others may

open in meantime. Defer for time. CJM

studying Halifax & St. John also Bishop.

Hold for Sept. meeting."

(ARA-33-6-21)

The matter appears to have been concluded at a meeting on October 25-26, 1951, the minutes of which record:

"8. Building Products Limited announced the closing of their Halifax warehouse not later than February 1, 1952. Thereafter, they will not stock or offer for sale from that warehouse any asphalt or tar roofing materials."

(ARA-139-3)

The policy with respect to Halifax warehouses was reported in the following way by Mr. Boland of Bishop in a letter of November 1, 1951, to a company salesman in the Maritimes:

". . .

Got good news for you. It has been decided that all Halifax roofing warehouses will be closed Jan 1st 1952 and that a new price list will be issued without the Halifax prices. Of course, some might not be able to liquidate all their stocks by the above date, but we can be sure that it will not be long. Since we, Bishop, have had a lot to do with this move, we should not pass up the promotional value. It will be a great thing for all the big dealers and wholesalers, and they should know the part we played. . . .

I am also pleased to tell you that we are getting somewhere with our fight for a St John warehouse. This, coupled with the move in Halifax, should give you something to work on for next year."

(BAP-18-9)

The possibility of the Maritime market becoming more profitable as a result of the new policy is mentioned in a report from Barrett to the American Barrett Company:

"Maritime District -

As can readily be ascertained from the figures submitted monthly, this Section has made rapid strides during the past few years. Not only is it a market possessing a very high potential of sales, but at the same time is a very profitable one. This will be even more evident this coming year with the closing of our Halifax Warehouse having secured common agreement on this move with those competitors who have operated warehouses in that city. . . ."

(BCL-70-9,70-10)

The following evidence was given by L. F. Long of Building Products in regard to the closing of Halifax warehouses:

- "Q. Was there a discussion along the lines that the minutes would indicate?
- A. There probably was. In other words, we were working to discontinue our warehouse. The minute we discontinued we had lost any bargaining power to get any other warehouses out of there, and we would prefer to get the others to do the same thing before we finally closed out.
- Q. Would this be a fair statement of the position? Approximately from June until October you discussed the matter of closing the Halifax warehouse with the other companies. At that time it appeared to be feasible for all to withdraw and your final decision was taken and announced at a meeting on October 25 and 26?
- A. I think that is a reasonable statement of it, provided it does not carry the implication that we would not have gone ahead on it if we had not got full agreement; that implication should not be read into it."

(Transcript, pp. 296-297)

Another development which appears to have been considered in 1950 and carried to conclusion in 1951 was a reduction in the number of shipping points on which to equalize freight charges. The following appears in the notes of the Secretary covering a meeting of December 5-6, 1950:

"C.H.B. report. Small committee to establish SA arbitraries - Review of Equalization points regarding saving - Whole Committee to review at forthcoming meeting."

(ARA-210-2)

The term "savings" as used in this connection refers to a possible transfer of freight charges from the manufacturer to the buyer, i.e. an increase in the manufacturer's price in relation to the former Merchandising Plan.

The following reference is made to the same matter in the minutes of a meeting on March 7-8, 1951:

"7. Trucking and rail rates in connection with equalizing on non-manufacturing points were reviewed. Each company stated intent to review its own position in this respect with intent to save costs if at all possible."

(ARA-147-2-2)

A somewhat fuller reference to the action taken at this meeting is contained in draft minutes prepared by R. G. Rogers of Murray, as follows:

"The matter of equalization of non-manufacturing points was reviewed and a sub-committee was appointed including Mr. Schroeder, Mr. Barclay, Mr. Hall and Mr. Cockshutt to review this matter in detail and submit a report at the next Meeting."

(DTC-22-6-2)

Proposals for changes in the freight plan covering equalization points were outlined in the following letter of July 24, 1951, from G. D. Schroeder, Barrett, to the Association Secretary, with copies to Johns-Manville, Brantford, Building Products and Carey:

"I believe that the Industry Committee appointed to study equalization points should convene at the earliest possible moment, in order that recommendations will be in shape for presentation at the next full meeting in September. The writer would be unable to attend until the last week in August or first in September. Would you kindly contact the members of this Committee and endeavour to pull together a meeting, either in Toronto or Montreal, during that period?

As a basis for discussion only, I am enclosing the following -

- 1) Schedule of Manufacturing, Present Equalization and Suggested Equalization Points - by Product Groups.

- 2) List of Proposed Equalization Points for Removal -
by Products.
- 3) Outline of the Freight Columns required to handle such
a move.

(ARA-63-8-3)

An attachment indicates that the following points are
suggested for removal:

<u>"A - SHINGLES</u>	- Quebec Valcartier
<u>AA - INS. SIDINGS</u>	- Asbestos Toronto Hamilton London Quebec Valcartier
<u>B - ROLL ROOFINGS</u>	- Quebec Valcartier
<u>C - DRY SHEATHINGS</u>	- Saint John Toronto Hamilton Brantford London Quebec Valcartier
<u>C - SATURATED & COATED SHEATHINGS</u>	- Quebec Valcartier
<u>D - FELTS</u>	- Quebec Valcartier
<u>D - BITUMENS</u>	- <u>Possibly</u> Saint John and/ or Halifax
<u>E - PROTECTIVE PRODUCTS</u>	- Quebec Valcartier

..."

(ARA-63-8-2)

[Note: In the copy of the above letter found in the Association files
Valcartier had been struck out in each case.]

Mr. Cockshutt of Brantford wrote to Mr. Schroeder in regard to the proposals made in his letter and in a reply on July 27, 1951, Mr. Schroeder stated:

" . . .

You realize, of course, that the list I submitted was intended to form a basis for discussion and points such as you have raised would, I imagine, come out at the time of our meeting.

. . . "

(BCL-5-5)

The proposals were discussed at a meeting on September 11-12, 1951. The following appears in notes of the meeting found in the Association files:

"Committee discussing equalization matters met on Monday . . . and presented their report to the general meeting recommending deletion of Quebec City for all commodities and recommending Montreal, Lennoxville and Brantford as equal. points for insulated siding. The subject was discussed in detail and while the recommendations were for the most part favorably received the chairman - G. D. Schroeder was asked to circularize the recommendations of the committee to all members for further discussion at the next general meeting. The aim is to have the matter settled by end of year for inclusion in the 1952 Plan and schedule."

(ARA-63-9-13, 63-9-14)

The proposals for changes in the freight plan as affecting Quebec City were discussed by officials of Bishop in inter-office correspondence until late in 1951. On November 16, 1951, C. P. Wyman of Bishop wrote to R. O. Boland:

" . . .

. . . I would, however, seriously consider advisability of removing Quebec as FOB point. We wouldn't want to make this move-unless the WHOLE INDUSTRY would back it 100%-with no fooling- or monkey business. Freight absorptions has [sic] been kicked around quite a bit in some places- such as Three Rivers, although one company BP claim they are not a party to it. If we undertook to remove Quebec from free delivery- right off the bat- Roofers Supply- & others would put pressure to break it down- that is why I am hesitant to make the move."

(BAP-13-9)

In a reply dated November 19, 1951, Mr. Boland wrote:

" . . .

We have a meeting next week and I simply must have an answer before then. We have been putting the matter off for months and, in view of the possibility that the price list will be changed to work in some new basing points, (insulated siding at mills only etc.), it is not fair for us to hold things up. All the others want is an answer. It is my thought that we can save a lot of money by a change in our Quebec set-up but, since we both have quite different ideas about this, you must make the final decision. . . ."

(BAP-22-5)

There was further correspondence between the two officials and after Mr. Boland had stated in a letter of November 23, 1951, that the Committee had brought down the final recommendation, Mr. Wyman said in a letter of November 24:

"Feel sure we could go along with the suggested changes in equalization points- might even be possible to eliminate London for C-Saturated and D-Felts- even if this might involve some complications do not think it difficult to surmount. As far as Quebec concerned-suggest not feasible bring in freight differentials for lcl or cl shipments- and that Quebec/Levis prices be- regardless of quantity - the f.o.b. Portneuf price plus 10¢ per 100 lbs.

Insofar as our Que. whse is concerned- I don't think the time ripe when we can afford to let this go- or to even set-up a warehousing charge- but I feel we should work towards this end and with a view of changed conditions during the coming year making it possible to consider this move. If our products were in tight supply now, we could make the move with less effect- but right now we would be losing too much of our present Quebec advantages."

(BAP-22-2)

Replying in a letter under the same date, November 24, Mr. Boland wrote:

" . . .

OK, I will declare Quebec and Levis as no longer on the free delivery and FOB basis, and on a basis of 10¢ per cwt fgt from Portneuf. I think this will bring problems that will soon break the whole thing down, and would have much preferred to

see a Quebec price fob warehouse as outlined in my letter, but, I will fight like hell for what you want now that you have made up your mind.

I do not think we had better bring up the question of Portneuf County. It should be 'free delivery' or fob mill, otherwise there will be hopeless confusion.

. . ."

(BAP-22-1)

The general change in policy was recorded in the following manner in the minutes of a meeting on November 28-29, 1951:

" . . .

8. Building Products Limited announced that effective January 1, 1952, on shipments of Insulated Sidings (Group AA) from their Montreal Plant, they would equalize freight with Lennoxville, Quebec, and Brantford, Ontario, only.
9. Brantford Roofing Company Limited announced that effective January 1, 1952, on shipments of Dry Sheathings and Insulated Felts (Group C) from their Brantford Plant, they would equalize freight with Montreal, Asbestos, Lennoxville and Portneuf, Quebec, only.
10. Bishop Asphalt Papers Limited announced that effective January 1, 1952, they will deliver their products free from their Portneuf Plant to destinations in Portneuf County only, eliminating the Quebec Zone. They will also discontinue Quebec City as an equalization point on their products.

. . ."

(SRP-28-3-3)

The results which were expected from the changes in the freight plan were reviewed at some length in the following letter of November 30, 1951, from R. O. Boland to C. P. Wyman, both of Bishop:

"As you will gather from the attached, we have at last come to our senses in the matter of 'fake' basing points. Cutting out Halifax was the first step although it resulted in little freight recovery due to the fact that the warehouse charge was rigidly inforced [sic].

The new 'merchandising plan' and 'freight schedule' will 'equalize' only on points where the goods are manufactured. (there are one or two small exceptions where it would have been too much trouble for a very small gain). But, on the whole, we will now recover quite a sum of money. Next week there is a meeting to rewrite the Plan (I got stuck on this one) and we should have all information in the hands of the men before the end of the year.

There might be something slightly wrong with my figures but, they show that, assuming the Quebec office to have the same sales figures during the coming year as in the past year, we stand to recover \$15,000 which is as good as net profit. The figures also show that we could get another 5 to \$6,000 any time we wish to put in a warehouse charge, although we would probably have to fight hard to get it through. A warehouse charge in Quebec would involve a special column in the price list, all for a very small part of the total industry business. It was figured that the Quebec Area worked out at less than 5% on the industry business and Quebec City about 2% whereas the area is about 15% of Bishop's total so that we are the only ones to gain much.

It is hard to determine just what our savings will be in other parts of Eastern Canada, but they will be well worth while. In Ontario for instance, Thorold is the 'basing point' on 'Drys' and Toronto, Hamilton, London and Brantford will now return us 3¢ on #2, 7¢ on Heavy and 10¢ on Insulation Felt. At St John, these items will return us 6¢, 15¢ and 20¢ although there is some doubt about this one sticking if Hantsport make a few 'deals'.

All in all, this has been one of the most constructive meetings in a long long time. It is obvious to all that we will soon be in one Hell of a hole if we do not plug the profit leaks now. Contrary to Portneuf belief, there has always been an undercurrent of co-operation in the industry and the willingness to help oneself by helping the other guy make a little money is stronger than ever at present, because one can easily see that, devided [sic] there is a mess ahead. The change in Merchandising Plan will mean some \$250,000 to the Industry and about \$20,000 to Bishop and, frankly, the danger of finding ourselves right back where we started will be in direct proportion to what we do in the Quebec area.

. . . "

(BAP-18-6)

In a letter of January 6, 1952, to Bishop officials, Mr. Boland made the following comments in regard to changes in the freight plan:

"This subject has been covered in previous letters and bulletins, but we should make sure that all salesmen understand just what is involved in the Jan 1st changes.

Actually, there is no change in price in Dist 2, and therefore no real call for a new price list. However, while the Catalogue list will remain in force, the third inside page of our dealer list is now in error since we have changed some of the FOB and equalization points, and this is what we must watch, both with the salesmen and invoice people.

You will find that certain Companies have issued new Dealer Lists. I prefer to wait a few weeks to see how things work out. Tempers are thin these days and, if someone decides to cheat a bit on the new set-up, someone else could quite possibly throw the whole thing right back to where it was, if not below."

(BAP-17-8)

4. Modifications in Transportation Charges to Meet Import Competition

The manufacturers of asphalt roofing made use of the freight plan to meet import competition from the United States which arose at times in border areas. In some cases the freight plan was modified temporarily by the addition of an American shipping point as an equalization point and the granting of freight allowances to offset the difference in freight charges on Canadian shipments into areas where the competition from imports had appeared. The manner in which such a policy could be applied was described, as follows, in a letter of May 10, 1949, from E. M. Cockshutt of Brantford to another official:

"The suggestion of delivered prices which you bring out in your letter are, of course, nothing new. We have partly used this principle but not entirely. Frankly, we don't like it. At first flush it does look like a solution and that, of course, is what the O.R.L.D.A. have been advocating for at least a year so that it is only natural that some of your dealers having read the O.R.L.D.A. bulletin are going to make the suggestion to you but I would suggest that you study the results of such a policy and see what occurs. To begin with you remove all the flexibility from your line-up, you are no longer able to meet situations in a certain area because of freight adjustment or absorption. For instance, supply [apply] the policy in Ontario with American goods coming in across the border. We would have two vulnerable points, that is, Windsor and Niagara Falls, for American plants operate directly across the river.

You realize that with a delivered price over a whole area that if we wish to meet a price situation in Windsor we would have to lower our prices over the whole province. As it stands now, if we come into foreign competition all we need do is absorb a certain quantity more of the freight to Windsor or Niagara Falls and, consequently, make adjustments in one area only."

(BRC-63)

During 1951, competition from American imports into certain border regions became a matter of concern to Canadian manufacturers. It was suggested during the argument that one factor tending to widen the difference in the domestic prices of asphalt roofing in the two countries was that prices in the United States were subject to regulation during part, at least, of the Korean War.

The Association Secretary wrote to members on August 25, 1951, notifying them that increased imports from the United States had been noted in the Windsor area and giving some information as to the laid-down costs of the imported goods (ARA-11-29). A meeting of the Association was held on September 11-12, 1951, and the minutes contain the following reference to imports:

"In view of American competition out of Detroit, Mich., Building Products Limited declared that they would establish Detroit as an equalization point on A and B products, including Roll Sidings, subject to cancellation without notice."

(ARA-141)

The following additional details are given in notes of the meeting:

"Windsor situation on American imported shingles - advertising American shingles in papers at \$8.20 - Canadian at \$8.90. Business demoralized in Windsor market. \$5.50 less 6% is US lowest price (5.17 US) - plus 6% exch. (25.8) ± 20¢ per cwt plus 22 1/2% duty - 7.07 laid down Windsor.

B.P. declared Detroit, Mich. as an equalization point on Shingles A, rolls B, incl. roll brick with Windsor in free delivery zone of Detroit f.o.b. point in 10 ton truck loads."

(ARA-63-9-10)

That the change in the freight plan was a general one is indicated in a letter of September 12, 1951, from R. O. Boland of Bishop to another official of the company:

"The competition from US shingles has become a problem in the Windsor area and it has been decided to try to stop the thing from spreading. Although our new fight plan leaves us 47¢ higher than the US shingle in Windsor, it is felt that we have given enough of a break to the dealers not involved because this difference is not great enough to be attractive when we consider all the trouble of importing in 23000 lb lots. If we are wrong, we will go lower, on fight only if possible so as not to touch the price."

(BAP-42-3)

In another letter on the same day to other offices of Bishop, Mr. Boland wrote:

" . . .

We feel that we must stop this importation at once, and failing a general price reduction in Southern Ontario, we think that we can ruin the Fry business by simply making Detroit a fight equalization point and working back towards London to a point where the two fights meet. A formula has been worked out and I attach a copy for your information. In order to eliminate misunderstandings, we attach a sheet giving the revised fight rates to all the towns involved.

You will note that only A & B products are covered because these are the only ones coming in.

The new rates are effective at once and should be used for all onvoicing [sic] of orders placed on and after Sept 12th 1951.

. . .

The dealers must understand that we are passing along a fair part of our small profits by absorbing this fight, and we hope that there will be no attempt on the part of dealers in the Niagara area to bring in a few sqs in order to force us down. We could never meet all the low USA prices, and it is up to our Distributors to help us hold the line.

. . ."

(BAP-1-3)

A few months later the price competition from American imports appears to have increased. The following is contained in a letter of January 11, 1952, from E. M. Cockshutt to another official of Brantford:

". . .

Unfortunately, a price war is developing between American Roofing Companies

A second drop in price has taken place. . .

With a duty of 22 1/2%, exchange of only 1%, and freight of 15¢ per cwt., this means that these shingles into the Windsor area will lay down for \$6.16 a square.

With our published price at the present time of \$8.45, subject to a discount of 5% for car, 5% for Winter Booking Plan, and a Quantity Rebate to be earned at a later date of 6%, the best that we can get, even with complete freight absorption to Windsor, which we are extending at the present time, in carload, gives us a laid down cost of \$7.12.

. . ."

(BRC-41)

On January 15, 1952, R. O. Boland wrote to other officials of Bishop:

"We have all been watching what is taking place in Windsor, and we have been undecided as to whether we should settle the issue once and for all by simply meeting the USA price or whether we should stand pat on our present plan.

The main trouble with meeting the price is that there would simply be no profit left in South and Western Ontario because the new price could not be confined to the Windsor area, or even to West of London.

However, there might be other ways of putting things back on the rails and, since most of the 'Boys' will be attending the CCA convention, we are having a meeting at the Royal York next Tuesday afternoon."

(BAP-17-7)

The Association Secretary wrote, as follows, on January 16, 1952, to the Western Secretary to inquire what the situation was in regard to American imports in British Columbia:

"As quickly as you can, Dick, would you let me know what the situation in and around Vancouver and Victoria is in regard to American imports. Down here in the Windsor and Buffalo areas we are bedevilled with one of Fry's plants selling quite a

way into our territory. What with price and freight he could almost come into Toronto. This is caused by some special low prices, viz., \$4.78 a square on American 210's at Detroit. Apparently there has been a running price-fight between some of the Sears-Roebuck and Montgomery-Ward operators and the dealer-minded organizations, such as Barrett, Flintkote, Johns-Manville, etc. Up to now some of our manufacturers have met the situation by making Windsor a free point in car-loads, but the American offers are spreading farther afield.

. . ."

(ARA-6-1)

A plan involving larger allowances in the Windsor area was apparently made effective on February 1, 1952, as indicated in the following letter of January 28, from R. O. Boland to other officials of Bishop:

"Due to the present situation in the Windsor area we will, effective Feb 1st, set up the following plan to meet the unfair competition.

MATERIAL-Groups A, B (excluding roll sidings), D (felts only). ALLOWANCE-On all shipments of 10 tons or more we will allow 40¢ per cwt as equalization on Detroit, on the above materials only.

FREIGHT PLAN-On shipments to Windsor there will be an 'arbitrary' charge of 15¢ per cwt, i.e, (this works out at a fght allowance of 25¢ cwt fob Windsor but to be consistent, we must allow 40¢ and charge 15¢).

On shipments to all other points, we will allow 40¢ cwt freight equalization on Detroit, and charge the published rail CL (40 M lbs min) rate from Detroit. Taking Chatham as an example, we would allow 40¢ cwt and charge the rail rate of 31¢ which works out at a net reduction of 9¢ cwt below our London price. Since we previously charged 17¢ cwt on shipments to Chatham, the new set-up is 26¢ lower, or 54¢ per sq on 210 as a net reduction below our price at Chatham before the trouble started.

The new plan will not fully meet the competition but we feel that it is close enough to stop most imports and that, at the same time, we will not risk a complete upset of our merchandising plan for other areas. You will note that our absorption runs out by the time we are back at London, and that we do not touch Bitumens, Smooth Surface, etc. . . .

New fght schedules will go forward as soon as possible."

(BAP-13-8-2)

The Association Secretary also sent a circular letter on January 28, 1952, to the manufacturers, reading as follows:

"With this bulletin are included lowest freight rates and allowances from Detroit into certain shipping points in Western Ontario adjacent to the American border.

Believing that this method of setting up was the simplest, your Traffic Committee recommended showing the 40,000-pound box-car rail rate out of Detroit and the net result of allowances after deduction of a 40¢-per-cwt. allowance. Not knowing how your organization is going to handle this matter of lowest rates ex Detroit but understanding that most, if not all, organizations are announcing it only through field sales people, there are a few copies of the schedule being sent to the traffic member or sales member of your company listed on this bulletin."

(ARA-248)

Writing to R. O. Boland on January 29, 1952, another official of Bishop said:

"Of course it means that we lose our profit down in that corner of the province, but I think the set up of a 40¢ allowance and freight from Detroit is a very effective way of bottling up the trouble right where it is coming from without upsetting the rest of the province.

. . ."

(BAP-13-8)

The minutes of a meeting held on February 20-21, 1952, make the following reference to imports:

- "7. The Dominion Bureau of Statistics reports and conversations brought out further information on the import situation at border points in Western Ontario. It was learned that the import situation had not been increasing and that a number of Western Ontario dealers had stated that individual Canadian manufacturers had handled the import threat with good judgment."

(ARA-136-2)

The allowances made by Canadian manufacturers on shipments into the Windsor area apparently reduced laid-down costs of some roofing products below the level of the London district. Question appears to have arisen whether some customers in the latter district were having shipments, on which the Windsor basis applied, diverted to London. The Secretary's notes of a meeting on April 2-3, 1952,

indicate that manufacturers were asked if they knew of this practice and the notes conclude:

"All Cos. watch & tighten with fieldmen working London Territory. Review next meeting."

(ARA-210-79)

In a Canadian Gypsum letter of April 7, 1952, the following reference is made to reports of shipments being diverted to secure advantage of lower price on Windsor shipments:

"It has been reported that some manufacturer[s] and some customer[s] are diverting shipments of Roofing into London at Windsor prices. In other words, the order is taken for delivery at Windsor at the Windsor delivered price and dropped from the truck at London.

Please see if you can determine how this arrangement is being handled and what companies are involved."

(CGC-13-3)

Later in 1952 it seems to have been expected that before long it would be possible to withdraw the special allowances which were being given on shipments to the Windsor area. In a Bishop letter of May 23, 1952, reporting on a meeting of traffic managers on the previous day, the following comment was made:

". . .

C.G.C. are not very happy with the Windsor set up as it is costing them so much money to ship into that area. The matter was dropped as it was explained that the situation was clearing up down there and it was expected that it wouldn't be too long, they believe, before we got back into the old routine again.

". . ."

(BAP-21-1-2)

When American imports entered the area of Sault Ste. Marie, Ont. in the summer of 1952 Brantford made available special freight allowances in the territory from Sault Ste. Marie to North Bay. The company circular describing the allowances contained the following note:

"Special freight allowance is effective today, the 10th July, and is subject to cancellation immediately upon notice by us."

(BRC-12-2)

Mention was made in an earlier chapter of the reduction in the prices of certain products in District #3 in June, 1952, in an effort to meet import competition. In a letter of May 6, 1952, J. S. Mulock of Johns-Manville's Winnipeg office wrote to the company's Toronto office as follows:

"Recently we have been running into a lot of competition, particularly in the City of Winnipeg area, but also rural points in Manitoba, from asphalt shingles imported from Minneapolis
. . . .

This competition, if it was clean-cut, would not be too much of a problem, but we are continually hearing stories of price cutting on behalf of the distributor below the regular dealer price in Winnipeg. This is evident mostly on occasions where either a carload or more are involved.

When you were in Winnipeg, you mentioned the possibility of this being controlled through our connection across the line with Nelson and I would appreciate any action that can be taken.

Incidentally, Hal Pringle of Building Products, called me yesterday and intimated that he was contemplating flying to Minneapolis to see the Nelson Company, pointing out to them the fallacy of their actions. Pringle has intimated he would not hesitate to drop the price of shingles in this market if this type of competition continues."

(CJM-23-3)

Writing to the Montreal office of Building Products on June 7, 1952, H. E. Pringle of the company's Winnipeg office said:

"The import situation in Southern Manitoba and Southern Saskatchewan has become very disturbing as we have reason to believe the Beaver Lumber Company has made a carload deal with the Lloyd A. Fry Roofing Company.

. . . The shingles have been advertised in Morden and Altona newspapers at \$9.25 per square as against our shingles laying down to Beaver at \$9.46 in L.C.L. quantities Altona, and \$9.16 carload.

. . .

I just returned from Calgary early Friday morning and have not been able to contact Beaver yet, and this situation will have to be given immediate attention. I am having a meeting with Jack Craig and John Vickers [both of Sidney] here Sunday and, while

I do not believe they know anything about it as yet, will try and get their views."

(BPL-14-2)

In June, 1952, Building Products, Winnipeg, announced reductions in the prices of 5 products and also extended freight allowances on these and certain other products on the basis of freight costs from Minneapolis, U.S.A. Similar action appears to have been taken by other manufacturers in District #3.

CHAPTER VI

OTHER ASPECTS OF ARRANGEMENTS

1. Standardization of Products and Disposal of "Seconds"

In the post-war period Merchandising Plans in the respective districts have contained sections entitled "Standardization and Simplification of Lines". A brief description of the contents of this section in the Merchandising Plan for Districts #1 and #2 was given in an earlier chapter.

Some consideration seems to have been given in the pre-war period to reduction in the number and variety of asphalt roofing products produced and stocked but the evidence does not indicate what results, if any, were secured. The following appears in minutes of an Association meeting on November 17-18, 1938:

"6. In canvassing the desirability of standardization and simplification on some lines, it was pointed out that in Eastern Canada at the present time some 56 kinds of shingles, with 567 shades, were being made."

(ARA-95-2)

In a letter of April 23, 1952, to another official of Bishop, R.O. Boland contrasted the situation at that time with the pre-war position, as follows:

"... This is a matter which has been discussed at recent meetings and all companies took a very dim view of the present tendency to add to lines in the simple hope that this method would increase buying. You will well remember the hectic days in the 30's when, in order to try to get a slight jump on the field, dozens of blends came out and special shingles were made up to 425 lbs. in weight. The industry was very fortunate that war time regulations got them back to normal because the condition had become absolutely chaotic.

..."

(BAP-14-2)

Following the imposition of the overall price-ceiling in December, 1941, the Wartime Prices and Trade Board introduced programmes of simplification and conservation in various administrations. The objective was described briefly as follows in the Board's report for the period ending March 31, 1943:

"Its essential purpose is to reduce the variety of types of goods produced and services rendered so as to employ fewer resources in the production and distribution of the total supply."

A programme of this kind was carried on in the asphalt roofing industry with the approval of the Administrator of Building Papers, Wallboards and Asphalt Roofing who was also the Secretary of the Association, as previously mentioned. Under this programme the number and variety of lines produced in the industry were reduced.

The practice of prior notification of proposed changes on the part of one manufacturer, which has been generally followed with respect to other aspects of industrial operations, appears to have been accepted with respect to the introduction of a new line by a manufacturer. The following appears in the report prepared by Mr. Welch, then of Sidney, covering the Association meeting in Winnipeg on January 19-21, 1948:

"It was stated that our new dealer's catalogue mentions a 340# shingle despite agreement in the Merchandising Plan not to produce any weight over 210#. We promised to check this and remove it from our catalogue, expressing doubt that it now appears. We stated that we would not add a 340# shingle to our line without adequate previous discussion with all concerned."

(SRP-1-8)

The provision in the Merchandising Plan referred to appears to have been continued. The 1951 Plan for District #4 contained the following:

"We will not manufacture asphalt roofing or siding shingles over 210 pounds in weight and in not more than 7 colours, excluding blends."

(ARA-66-5-13)

The Merchandising Plan for District #3 for 1950 has the following provision:

"We will not manufacture or distribute asphalt roofing or siding shingles over 240 pounds in weight."

(ARA-126-2-20)

The 1949 Merchandising Plan for Districts #1 and #2 had the following provision:

"In order to conserve labor and raw materials we will not manufacture asphalt roofing or siding shingles over 240 lbs. per square weight."

(ARA-198-22)

The 1951 Plan contained the same provision with the exception of a change in the weight to 260 lbs. At a meeting on October 18-19, 1950, Carey announced that it would produce a 260 lb. shingle. In reporting on this meeting, Mr. Boland of Bishop said in a letter that "the reception of this news by the group was not good". His letter then went on:

". . . I share in the general opinion that a broadening of the necessary stocks a dealer must carry is something that should be avoided and I was pleased to see that all manufacturers were adopting the attitude that if a certain item was not manufactured the customer would simply use something else and this would bring us all a greater return because we would be making fewer items out of the same tonnage. . . ."

(BAP-5)

In the practice of prior notification to other members of the introduction of a new line, a distinction appears to have been made between the modification of an existing line, such as the addition of another colour, and the introduction of a different product. Writing to another official of Bishop on April 5, 1952, about a grey shade of roll siding, R. O. Boland said:

". . . We must advise the 'industry', but we can do this at the next meeting because it is just a new colour, not a new product."

(BAP-14-5)

Further mention of the grey siding and also of a scored shingle which was under consideration at about the same time was made by Mr. Boland in a letter of April 14, 1952, as follows:

"...Of course, we will have to clear both the scored shingle and the gray roll brick at the next Industry Meeting, and we should have our decision made before then.

..."

(BAP-14-4)

Some years earlier when changes in products had been announced at a meeting without warning, it appeared to be the attitude of Barrett that such action departed from the accepted practice. The minutes of a meeting on April 13-14, 1948 (ARA 178) record that Building Products announced that it would manufacture 240 lb. shingles and 18" lap roofing and that Bishop announced it would manufacture 65 lb. smooth roofing. After this meeting, on April 26, 1948, J. M. Young of Barrett wrote to the Secretary as follows:

"Announcement made without warning at the last Meeting has changed our viewpoint and, we feel to some extent, our sense of moral responsibility in the matter of standardization.

Nevertheless, for your information, it is not our present intention to make 65 lb. Smooth Surfaced Roofing.

As regards 240 lb. Shingles, we have not yet made up our mind as to Districts No. 3 and 4, but our present thinking is that we will not ship 240 lb. Shingles into either of these districts."

(BCV-13-5)

One example of standardization in the post-war period involves the selection of an intermediate weight in the case of alternative products with an increase in price. In this case, a standard of selvage edge roofing was established at 120 lb. whereas previously the product had been made by different manufacturers in weights of 110 lb. and 125 lb. The action was apparently taken in connection with the establishment of bonding specifications for roofs built with this material.

A report of a BUR committee under date of June 14, 1951, contains the following:

"II. Selvage Edge Roofs

Based upon the long and successful service record of this type of B.U.R. and the availability to all manufacturers of the types of roofing materials employed in its construction, the committee recommends that standard specifications for

10, 15 and 20 year bonded roofs of this type be adopted. Exhibit A attached outlines the materials required per square for each specification."

(BPL-65-2)

The matter was considered at further meetings of the built-up roofing committee. In a letter of July 9, 1951, to J. A. Craig of Sidney, Mr. Wynne of Building Products said:

". . .Most of us feel we should stop bonding the smooth surfaced asphalt roof or at the most, limit the guarantee to 10 years and employ at least the '15 Year' type of specification for this 10 year bond. These same people would prefer to adopt the selvage edge specification for bonding on steep inclines where pitch and gravel or asphalt and gravel are not suitable. . . ."

(BPL-66-3-2)

Something of the background of the matter is given in the following letter of November 19, 1951, from Mr. Wynne to E. M. Cockshutt of Brantford:

"You will recall that the B.U.R. Committee of the industry is seeking standardization on the weight of 19" Selvage Roofing to be used for B.U.R., especially bonded roofs, on which the Committee have offered a series of N.I.S. specifications. At present, two manufacturers make N.I.S. at a weight of 125# per square selling at \$5.80 per square while all the others produce N.I.S. at 110# per square selling at \$5.40 per square. The idea is to try to bring all manufacturers to a single weight so that an industry standard could be presented to the Standards Committee of C.G.S.B. at Ottawa.

Nobody knows why the two different weights were offered in the first place. But it is a fact that manufacturers who use the Underwriters label service must apparently make the 125# weight to qualify for the label. There seems no reason why the other manufacturers should object to moving to the 125# weight, even if they do not employ the Underwriters label service. Thus, a standard of 125# could be adopted by the industry and incorporated with standards on other industry products which we are presenting to the Government agencies concerned.

This letter is simply a reminder that the question will come up for decision at the next Industry Meeting and we should greatly appreciate it if your Company could come to the meeting prepared to act on this standardization. I am informed that the Underwriters' specification does not require a full weight of 125# per square but that a minimum of 120# per square would suffice."

(BRC-6-2)

The selection of 120 lb. as the standard for selvage edge roofing appears to have been made by December, 1951. A memorandum in the files of Johns-Manville, dated "12/7/51", contains the following:

"19" SELVAGE EDGE ROOFING

- A. Canadian Industry standard weight to be 120 lbs. per sq. (2 rls. per sq.) effective January 1, 1952. Manufacture of former weights of 110 lbs. and 125 lbs. per sq. discontinued.
- B. B.P. announce a dealer list price of \$5.80 per sq. effective January 1, 1952, on their new 120 lb. 19" Selvage Roofing - a Group D. product.
- C. B.P. will employ their 120 lb. Selvage Edge on their bonded roofs, using their standard Asphalt and Asphalt Felt and adding bonding charges of .60, .75 and \$1.00 per sq. Barrett Co. also will use the 120 lb. Selvage Roofing in bonded roofs but employ premium-priced Asphalt and Asphalt Felt without extra bonding charge. Comparison of bonded specifications discloses almost identical material costs per square in the two methods."

(CJM-18)

In a letter of December 12, 1951, to other officials of Building Products, A. B. Wynne wrote:

"C-7 SELVAGE EDGE ROOFING

At the last industry meeting all manufacturers, including Sidney, agreed to the standardization of 120# per square as the weight for this product. We had previously cleared the suitability of this weight with Mr. D. J. Smith.

By this industry standardization move, the former weights of 110# and 125# per square which were both common in the industry have now been eliminated and only the 120# weight will be offered effective January 1, 1952.

We are increasing our price to compensate."

(BPL-56)

On December 14, 1951, Barrett's Vancouver office requested direction from the eastern offices of the company about the adoption of the new selvage edge roof specifications in Alberta and British Columbia, as follows:

"Wray Jones [Canada Roof Products] stated he was told to check me on price of new S.I.S. 120 lb. product.

Realizing this is something which is a 'top policy' item for I presume it has something to do with federal government projects I imagine you have some thoughts on price which must be in line with Alberta, etc.

Actually I do not see how we can lower S.I.S. much as profit is none too great so would you kindly advise what your thinking is for Alberta & any suggested price you may wish me to push on in B.C. for S.I.S. & Special Strip Roofing Asphalt?"

(BCL-54-2)

The Barrett reply to Vancouver, on December 17, 1951, is as follows:

"I am very sorry, Bruce, that I had neglected, because of the rush of other things at this time of the year, to inform you as to what we were doing regarding S.I.S. in Eastern Canada.

We are reducing the weight - but not the price, in Eastern Canada, and all our competitors I believe are following on the same basis. In order, therefore, to bring our bonded job into line with their bonding charge, which they will continue to add as an extra, we are increasing the price of our Special Steep Asphalt to \$3.50 per cwt. Dealer List. This, when figured out, leaves us just about in the same relative position to their job, plus the bonding charge, as was the case before.

You are perfectly correct in your assumption that this whole matter is based on a desire to get a specification

for the Government which is standard throughout the Industry. We could not drop more than 5 pounds per square, so the others have come up to our weight. The factor that they have overlooked, however, is that this makes our 'STORM KING' much more important than has been the case in the past, since the differential now is very much greater between 'STORM KING' and 'S.I.S.' than was the case before.

I would strongly suggest, therefore, that you adopt the same policy in British Columbia as we have in Eastern Canada - namely, to continue our present price on the 120-lb. product and recommend that your competitors do the same thing. I can see no reason why they shouldn't in Western Canada any more than they shouldn't in Eastern Canada and, as I have outlined, they have come up to our price.

Keep me informed of developments, please."

(BCL-54)

The following notes of the Association Secretary of a meeting at Winnipeg on February 5-7, 1952, indicate that the new standard had been generally adopted:

"NIS 120 Barrett has 125 stock to move
 120 Sidney
 120 C.R.P.
 120 Am
 120 B.P. 125 stock
 120 CJM
 120 Bfd

110# Sold on old 110# basis."

(ARA-210-52)

The evidence contains several instances in the post-war period where asphalt roofing products were eliminated from the market through common action on the part of the manufacturers.

Smooth Surfaced Roofing - 35 lb. This is a lightweight roofing material which might be purchased for temporary roofing purposes. On March 24, 1947, A. B. Wynne, then of Toronto Asphalt, sent the following telegram to E. M. Cockshutt, of Brantford:

"TELEPHONE BARCLAY [BUILDING PRODUCTS] STOP HE IS ILLUMINATING [ELIMINATING] THIRTY FIVE POUND ROLL ALL DISTRICTS STOP DECISION NOW UNANIMOUS APRIL FIRST."

(BRC-53-2)

- "10. In connection with nail shortages and to effect economies against other raw material shortages, Building Products Limited stated intent to eliminate from their catalogue listings on January 1, 1951, 60# Colored Roofing and 12" starter strip."

(BPL-91-3-3)

In a letter of October 19, 1950, to another official of Bishop, R. O. Boland referred to the elimination of the two products as a general decision of the industry and raised the question of the elimination of 65 lb. smooth surfaced roofing. He wrote:

"As of January 1st, 1951, the Canadian Asphalt Roofing Manufacturers will no longer be manufacturing or selling the following two items.

1. 12" Starter Strip. - It is felt that this item needlessly complicates production as well as our own storage and that of the dealer trade. Furthermore, it is felt that 12 inches does not give adequate protection in our Canadian climate and that in place of Starter Strip we should recommend the use of our standard 18" or 36" Slate Surface.
2. 60-lb. Mineral Surface. - while B.P. and Brantford have enjoyed good business in this line from mail order houses and while other manufacturers have enjoyed good volume, it was decided to drop 60-lb. Mineral Surface. It is not good roofing and the general opinion is that it will immediately be replaced by our standard products of greater weight and higher price.

It is understood that while some manufacturers can stop producing the above items within the next week or so, others must carry on a little longer in order to exhaust granule and other stocks. There is also the possibility that some warehouses might contain a sufficient number of rolls to carry over for a month or so. However, it has been distinctly and definitely agreed that production will stop soon enough to permit the entire elimination of these items by January 1st.

A bulletin will shortly go out to the entire sales force advising them of the simplification of our line.

Roy

RB:JB

P. S. As a further simplification of lines, what would you think about the elimination of 65-lb. Smooth Surface?"

(BAP-27-6)

In regard to the last product, Mr. Boland wrote in a letter of October 31, 1950:

"While in Portneuf, I discussed the possibility of eliminating 65-lb. Smooth Surface but we will not agree to this move because 65-lb. is one of our best paying lines from a production standpoint."

(BAP-27-4)

In spite of the view expressed in the foregoing Bishop letter, the minutes of a meeting on December 5-6, 1950, record the following:

- "7. Looking at the entire raw material supply situation, Bishop Asphalt Papers Limited declared intent to eliminate 60# colored roofing, 12" starter strip and 65# smooth roofing from their lines and would not manufacture after the start of 1951."

(BPL-91-1-2)

Notes of this meeting indicate that all manufacturers in Eastern Canada were to discontinue the production of the three products. The relevant portion is as follows:

"Standards

Out of Line	Jany 1st	
60# Colored	12" Starter	65# Smooth
BFD	BFD	BFD
CJM	CJM	Don't make in Rag Felts
TA	TA	TA
Bar	Bar	Don't make
Am	Am	Am
BP	BP	BP
Carey	Carey	Carey
Bishop	Bishop	Bishop
Currie	Currie	Currie"

(ARA-210-6)

The attention which was given to the observance of the notice of discontinuance of the production of the 60 lb. product is indicated in Bishop correspondence in 1951. In a letter of January 1, to another official of the company, Mr. Boland wrote:

- "3- Everyone must take a more serious attitude towards our instructions. It seems to Me, at times, that time is spent looking for ways to get around the Plan. For instance,

In a telegram in reply Mr. Cockshutt said:

"We are prepared to remove 35# Smooth Roofing from our line and from catalogues effective April 1st."

(BRC-53-1)

After this time there was careful check made of any reports that 35 lb. smooth surfaced roofing was being offered to the public apparently to ensure that production of the material was not being continued in any plant. In a letter of October 14, 1947, to C. P. Wyman of Bishop, S. M. Barclay of Building Products wrote:

"You will remember the question you asked about this at the last Roofing Meeting. I wrote our Mr. Staples and I quote from his reply, dated October 11th, as follows:-

'You are correct. Windsor Supply Company did advertise 35# Smooth Roofing. This product was bought from us before we discontinued manufacturing it. Recently, in taking stock, they found a considerable stock of same, it was not moving so they decided to advertise it and clean it up.

(Signed) A. McM. Staples."

(BAP-35)

Advertisements of 35 lb. smooth surfaced roofing in Toronto newspapers were reported upon by the Association Secretary in a letter to Brantford on October 20, 1947:

"You mentioned to me that 35# Smooth was being offered for sale through the classified advertising in the Toronto papers. I personally investigated this and found that the ad. had never been changed, but the 35# Smooth has not been sold by the dealers concerned since late May and early June, where there were some carry over supplies.

(ARA-58-2)

Reports of distribution of 35 lb. smooth surfaced roofing in the Maritimes were mentioned in a letter of December 19, 1947, from E. M. Cockshutt of Brantford to the Maritime office of the company:

"I had two reasons for calling. Item one, was the question of 35# Roofing. Report had come through to us from two different Companies that we were still manufacturing and supplying 35# Roofing in the Maritimes, and that this was causing a great

deal of trouble. I am very pleased to know, however, that Murray traced this down and I hope now that the item is entirely cleared up. I, of course, am advising the other people regarding it."

(BRC-70)

The discontinuance of the manufacture of 35 lb. smooth surfaced roofing was officially noted in the minutes of a meeting on December 20-21, 1948, as follows:

"2. . . .

F - There being no apparent demand in the domestic market for 35 lb. smooth roll roofing or 216 square foot (1 1/2 rolls) rolls of saturated felt, it appeared that all manufacturers have dropped these items from their line of products. It was learned that there were minor warehouse stocks of 1200 sq. ft. rolls of dry sheathing. Sheathing packed in this manner had not proven acceptable to the trades generally. This discussion also brought out the fact that there were no shingles over 240 lb. weight being manufactured."

(ARA-171-2)

It seems obvious that manufacturers would not continue to produce an article for which there was no apparent demand and there would be no occasion to investigate reports of the availability of stocks of a product for which there was no market.

Coloured Roofing-60 lb. - Smooth Suraced Roofing-65 lb. - Starter Strips. The production of these three products appears to have been discontinued at the beginning of 1951. The question of 12" starter strip was referred to in a letter of December 11, 1950, between officials of Building Products, as follows:

"This is just a note to remind you to have 12" Starter Strip put on the agenda of the next Industry Meeting.

You will remember at the last Sales Executive Meeting, we recommended that steps be taken to eliminate the use of 12" Starter Strip and Mr. Barclay asked you to have this item put on the agenda for the next Industry Meeting."

(BPL-75)

The minutes of a meeting on October 18-19, 1950, make the following reference to 60 lb. coloured roofing and 12" starter strip:

we issued instructions that, after Jan. 2d, we would no longer manufacture or sell 60 lb Citadel, so Ben goes ahead and takes an order from Gunneville for which the customer was invoiced in December but the goods are to be taken at whatever time the customer wishes. You can imagine my position if a competitive salesman happens to be at Gunneville's when the truck rolls up."

(BAP-30-6)

Writing to another official of Bishop on July 30, 1951, Mr. Boland said:

"1 - Glad to see that you are moving the old 60# slate they had in London. It is a good idea to get this off our hands without it getting into the hands of the regular trade. However, we must use care in not getting the other fellows upset because 60# is no longer on the lists. Would suggest that Simpson's understand quite clearly that this is old stock and no longer made, and that they should let others know what it is all about. I would not want Simpson's giving others the impression that this was regular stock with us.

(BAP-28-4)

Further reference to discontinuing the production of 60 lb. roofing was made by Mr. Boland in a letter of October 6, 1951, in which he said, in part:

". . . we took a commitment to discontinue making it last fall, and to sell it after Jan 1st of this year.

This, along with the CCC quotations and other things make it rather useless for me to sit in at the industry meetings other than as an observer taking no part in the discussions. Either I can speak for Bishop and know that Bishop will back up what I say, or I must keep silent.

I think we should talk this one over as soon as possible. It might be that someone with a more elastic code should take over my place at the meetings or, possibly, we might reconsider resigning and saving \$6 or \$7000 it costs us a year."

(BAP-22-8)

The section of the Merchandising Plan in Districts #1 and #2, dealing with standardization and simplification of lines, shows changes between 1950 and 1952, in the case of two of the three products mentioned above. The 1950 Plan includes 45 lb., 55 lb. and 65 lb. smooth roll roofings, while the 1952 Plan omits 65 lb. Also the 1950 Plan includes 60 lb. colored roll roofing while this category is eliminated from the 1952 Plan.

According to the evidence of R. O. Boland (pp. 1159-1160), sometime prior to October, 1952, the production of 60 lb. smooth roll roofing was resumed by Bishop and presumably by some other manufacturers as well. The product had been an item included in the catalogues of mail order houses and there is some evidence that these organizations wished to continue handling the product. The following letter of February 25, 1952, from H. E. Pringle of the Winnipeg office of Building Products to the head office of the company appears to deal with the situation which arose after 60 lb. roofing became unavailable in Canada:

"I note copy of letter which you wrote to Mr. Wynne, under date of February 4th, in regard to the sale of 60# Colored Roofing to the T. Eaton Company.

It is unfortunate that Mr. Cable, who heads up the Mail Order and all Hardware Departments in Western Canada, is away on a three-month European buying trip and Mr. Harding has not yet returned to Winnipeg, as I am sure Mr. Harding would have some misgivings about bringing in American material for his catalogue.

Nevertheless, I am heartily in accord with his thinking and I do believe it is plain stupid to refuse to sell our second biggest cash customer 5000 rolls of anything they want to buy and take in at one time. We cannot begin to value the sale of 60# roofing in helping to keep catalogue prices in Western Canada on a high plane and commitments that other manufacturers have taken in Western Canada at Industry Meetings are not dependable.

The attached copy of letter from Dick Fleming about 1/2 rolls of Carpet Felt is self-explanatory. Sidney, Canada Roof and other manufacturers took a definite commitment to delete 1/2 rolls of Insulation Felt in District #3 a couple of years ago and on numerous occasions, and were the most aggressive in trying to get us to delete 60# roofing in Western Canada. Barrett's and Sidney took definite commitments to delete large rolls of cheap sheathing but Barrett's at least are today selling jumbo rolls of cheap sheathing for B.U.R. work in an effort to take business away from us. Just to show how stupid we are, the Sidney Roofing and Paper Company have a stock of

1/2 rolls of Carpet Felt in their warehouse in Winnipeg right now and when we deleted 60# roofing, in my opinion, we never bargained for anything.

Do not be too disturbed about Eaton's bringing in American Roofing for their Sale Catalogue as I intend to tell Art Harding that any such move on his part will strain our business relations in Western Canada and open the way for us to sell Simpson's, Woodward's, McLeod's and a lot of other people they will not like handling the same material.

Nevertheless, the whole thing is ridiculous as we never should have placed ourselves in the position of jeopardizing a 100% account like the T. Eaton Company when the very competitors that harped on 60# roofing will not live up to any of their commitments. When we found out that Sidney had a stock of 1/2 rolls of Carpet Felt in their warehouse here, they stated that it was a stock that had been there since the year before and what does that make us?

(BPL-15)

The attention which was given by the manufacturers to a departure from what was regarded as standard practice is illustrated by an exchange of letters between Canada Roof and Sidney. On October 17, 1949, I. L. Phillips of Canada Roof wrote to J. Vickers of Sidney as follows:

"You will probably recall some six weeks ago that I brought up the subject of your shingles being packed in bundles of more than 43 shingles to a bundle.

Our Okanagan representative has checked bundles in several dealer's yards lately and has found that they vary from 44 to 46 shingles per bundle. He has never found a bundle containing 43 shingles as is the standard practice. Will you please advise us if steps are being taken to remedy this situation."

(SRP-24-2)

In a reply on October 18, 1949, Mr. Vickers stated:

"I am quite sure, Ian, in reply to your letter of October 17th, that our plant has this matter completely under control now, and would feel that the Okanagan bundles got away from the plant before we checked into this matter thoroughly

However, to make sure, I am drawing once more to the attention of those concerned in connection with our plant operation, because, as you know very well, we are anxious to make a profit as well as sales."

(SRP-24-3)

"Seconds" Reference has already been made to the provisions in the Merchandising Plan covering the sale of "seconds" and "Discontinued or obsolete lines". For a number of years each manufacturer, including those in District #4, has sent a monthly report to the Association office, giving the quantity of seconds sold and the stock on hand. The data in these returns are tabulated and a consolidated report is sent to each company.

The manufacturers appear to have been concerned about the possible effect of the sale of "seconds" in any widespread way upon the market for regular goods and to have been interested in seeing that "seconds" were distributed in a way which would least disturb regular trade channels. This attitude is reflected in two letters from Sidney to the Western Secretary about a shipment of imperfect goods to a dealer in Penticton, B.C. The first letter dated December 2, 1947, from the Assistant General Sales Manager, reads:

"A recent shipment of our N.I.S. Roofing held in stock by a dealer in Penticton has proven faulty, and in view of the unusual circumstances surrounding this case, it has been necessary to make an adjustment at a reduced price.

We would assure you, however, that we have arranged to dispose of this material in a manner so as not to be detrimental to the future sale of this type of material, and we trust that this action meets with your approval."

(SRP-21-4)

The second letter dated December 3, 1947, from the General Sales Manager, is as follows:

"A recent shipment of our N.I.S. Roofing made to Penticton on arrival proved faulty, which resulted in our having to dispose of it in that area at a considerably reduced price. The alternative would have been to have brought it back here and sold it as seconds to a Junk Dealer, there being no Junk Dealer in the Okanagan area.

However, we thought we would advise you that it has been so sold so that it cannot interfere with our business generally, although it is a deviation from our Merchandising Plan.

This is for your information."

(SRP-21-7)

2. Specifications of Built-Up Roofing

The following general comments on standards of built-up roofs are made in the Statement of Evidence:

"As already noted a built-up roof is an individual project and, in theory at least, an unlimited variety of such roofs can be constructed. Actually such roofs are largely standardized. An important reason for this is that the manufacturers issue bonds on built-up roofs and specify certain minimum standards before the bond will be issued. At first bonds were apparently issued without extra charge but the practice for some years past has been for all companies to charge for bonds on roofs constructed of standard material. Some companies, notably Barrett and Johns-Manville, sell more expensive grades of bitumens and felts and (except in the case of very small roofs) make no extra charge for bonding when these materials are used. Bonds are normally issued for periods up to 20 years, depending on the type of roof."

It is logical to assume that in any substantial construction involving a built-up roof a bonded roof would be chosen. The conditions under which a bonded roof is obtainable are, therefore, of importance to those requiring roofs of this type. From the viewpoint of the durability of a roof the nature of the materials used and the manner in which they are applied would be prime factors and minimum specifications would be of major importance in ensuring the quality of a roof job. However, the fact that the manufacturer of the materials is prepared under a guaranty bond to accept responsibility to maintain the roof in a water tight condition for a designated period, makes the specifications of more immediate significance to him than to the person for whom the construction is being done.

For a number of years prior to 1938 discussions were carried on in the Association to establish minimum specifications for bonded roofs. On February 10, 1938, a committee which had been engaged in this task made a report on minimum specifications "which have been approved as satisfactory to all firms" (ARA-205-24). Subsequently question was raised as to whether Sidney had accepted the suggested specifications and on April 7, 1938, the Secretary wrote to Sidney as follows:

"For some four years now a committee of Eastern manufacturers worked on Built-Up Roofing Specifications with

It is my impression that some misunderstanding exists in this matter. In the first place, you advised me on May 26th that you would accept these minimum specifications for District #3, stating at the same time that they are lower than your own specifications. Is it not possible for you to extend the same acceptance for District #4?

You will understand that in setting up these specifications the Canadian-Johns-Manville Co. Limited made a special effort to alter their whole specification manual and, while they are not exactly in line in all respects, in some cases they are lower and in other cases higher in cost. The weight is not the deciding factor or even a major one, it is the total price for similar materials.

It may be that you were thinking of the felt and pitch specifications as being the Canadian Johns-Manville Company's alone but that is not the case, as they are the minimum specifications on felt and pitch roofs for all manufacturers in Districts #1, #2 and #3.

You will realize that the Canadian Johns-Manville Co. have a little different problem from all others as they use Asbestos Felt in some of their specifications and other manufacturers have not this available.

As this question of minimum specifications took some five years to conclude, I trust that you will do your utmost to try to give acceptance, as we do not want to have a different basis in District #4 from that prevailing in all other districts.

May I repeat once more that these are minimums only, below which no firm will grant a bond. All firms have very much more elaborate specifications at higher prices."

(ARA-205-22-35)

There were further communications between the Association Secretary and Sidney and on August 13, 1938, the latter sent the following telegram:

"RE WIRE WILL ADOPT BUILTUP ROOFING MINIMUM ON DEFINITE UNDERSTANDING ALL OTHER MANUFACTURERS DO THE SAME WHERE GUARANTEE IS GIVEN STOP NO CHANGE TO BE MADE IN ANY MANUFACTURERS SPECIFICATION WITHOUT NOTICE OF AT LEAST NINETY DAYS"

(ARA-205-22-10)

a view to securing general standardization of them and ultimately at least definite minimums below which no manufacturer would go and issue bonds. After many meetings and a great deal of discussion the minimum shown on the attached sheets were arrived at on February 10th, 1938, and put into effect at once in Eastern Canada.

My purpose in writing to you now is to ask whether you would go over these minimums and advise me whether it would be possible for you to accept them for the West for your Company with the knowledge that no other manufacturer would go below them. It is understood, of course, that the prices shown have no reference to Districts #3 and #4 but that the make-up of the various specifications would not be undermined by your publishing specifications calling for a lesser content.

As this matter is of some considerable importance, I should very much appreciate if you could give it early consideration and let me have a reply at your convenience."

(ARA-205-22-55)

After further correspondence Sidney accepted the minimum specifications for District #3 but there were communications between the Association Secretary and Sidney for some months before the matter was settled with regard to District #4. In a telegram of June 11, 1938, (ARA-205-22-37) Sidney raised questions regarding the weight of material included in some specifications. The Association Secretary sent the following telegram in reply:

"My understanding existing minimums in effect District four by all manufacturers except you STOP Comparison should not be on basis of weight but minimum total cost STOP Impossible reconcile absolutely with Johns-Manville owing their using Asbestos felts STOP Difficult also publish special manuals District four only STOP Can you accept minimums for District four using no less materials than remainder manufacturers STOP Wire reply collect."

(ARA-205-22-36)

In a letter to Sidney on the same day, June 11, the Secretary wrote:

"I duly received your wire of the 11th instant this morning and attach herewith confirmation of my wire in reply.

The proposal of Sidney for a notice period in the case of changes led to further discussion, but by September, 1938, Sidney had made clear its acceptance of the minimum specifications for District #4.

Early in 1939, question arose as to the bonding of cap sheet roofs by Sidney. These are built-up roofs finished off with a covering of roofing material rather than gravel, etc. A letter of January 16, 1939 from the Association Secretary to Sidney contains the following:

"One of the major difficulties, I understand, in District #4 arises from the information given at the meeting in Winnipeg that your company issues bonds, I believe for 10, 15 or 20 years according to the material, on cap sheet roofs. Presumably, such cap sheet roofs will give a lesser price than competitive roofs made up in other ways as set out in this minimum schedule and would naturally leave all competing manufacturers non-competitive with you. In the second place, it was hoped and understood down here, at least, and we thought in the West, that no cap sheets at all would be bonded."

(ARA-205-13-4)

The letter in reply from Sidney on January 24, 1939, includes the following:

" . . .

Regarding the B.U.R. Minimum Specifications. We did accept these, and as far as the writer can tell, at the moment, have been working from them, and we are not bonding any roof where there is a lesser quantity of material or price than the minimum specifications which we have supplied you with; but we have been bonding one or two of our smooth finished roofs. However, the writer is checking this again, and if the other manufacturers have agreed not to bond a Cap Sheet Roof, we are only too pleased to fall in line."

. . ."

(ARA-205-13-3)

In a further letter to Sidney on January 30, 1939, the Secretary wrote:

" . . .

It might be well to again emphasize to you that no manufacturer intends to bond any roof for the period shown where the material and price, either or both, is less than the quantities set out on the schedule of February 10th, 1938. I cannot understand why you gathered that one other company was not willing to make a charge for 'smooth finished roofs in Alberta' unless you mean in cap sheet roofs only.

My understanding, quite clearly, was: (a) All manufacturers would follow these minimums in all districts. (b) No manufacturer would bond a cap sheet roof in any district. (c) Better roofs at higher prices and with greater quantities of materials would be available from any manufacturer but in no case would these go down below the minimum.

I am assuming from your letter that it is agreeable to you to accept the minimums provided for both districts #3 and #4 and that you will arrange not to bond cap sheet roofs under any circumstances"

(ARA-205-13-2)

Writing to the Secretary on January 31, 1939, Sidney stated:

"Further to the BUR Minimum Specifications, Arrangements are now being made to cancel one of our specifications, which we call our HBC, or Heavy Base Cap Sheet, and to revise our Heavy Base Flt Roof, smooth finish, which we call our HBR. This will bring our specifications definitely within line.

By cancelling this Heavy Base Cap Sheet Roof, it will mean that there will be, as far as we are concerned, no Cap Sheet Roofs on the market which we will guarantee."

(ARA-205-13-8)

Early in 1950 the manufacturers began to give attention to the question of bonding roofs constructed in northern areas. The following reference to the matter appears in the minutes of a meeting on February 1-2, 1950:

"7. All companies stated intent to bond flat roofs in any area of Northwest Canada, British Columbia and The Yukon. There was some difference of viewpoint on this matter, but most companies' declarations stood until a committee from the Industry might be able to negotiate

various factors concerning bonds with Governmental Departments at Ottawa, more specifically The Department of National Defence."

(ARA-760-2)

Subsequently the manufacturers worked out a common policy for such construction which provided for the usual bonding charges but involved additional charges for inspection outside normal operating areas and a waiving of the manufacturer's responsibility for maintenance. For some time beginning in the summer of 1950, negotiations were carried on with the Department of National Defence to have the arrangement proposed by the manufacturers accepted for defence work, but members were informed at a meeting in Victoria on February 6-7, 1951, that the Department would not accept the bonding arrangement. At the time hearings were held in the inquiry it was indicated that manufacturers were deciding individually whether to undertake the bonding of roofs in northern areas. In his evidence, Mr. Wynne of Building Products stated, "our company has made a declaration quite recently that henceforth we will regard ourselves free to bond or not where we choose." (Transcript, p. 771).

3. Government Tenders

The following general comments on tenders are made in the Statement of Evidence:

"Most of the products of the industry are sold by the manufacturers through various distributive channels and not direct to consumers. Largely for this reason, tenders by the manufacturers are relatively uncommon. About the only case in which the manufacturers bid directly are on the requirements of ready roofing and accessories of Departments of the Government of Canada. Even in these cases, bids were not called for in many cases during the war and post-war years because of the system of allocation of orders already outlined. The result is that the only period during which tenders were relatively important is the period from the outbreak of the Korean War (and consequent expansion of the defence forces resulting in increased construction and repair of military installations and housing in connection with such installations) to the date the inquiry started.

The price application section of the Merchandising Plan provides for discounts to such bodies as Departments of the Federal Government, Steam Railways, Provincial Government Departments, and certain Provincial Hydro Commissions. Accordingly, if list prices were the same and if each manufacturer

tendering followed the Merchandising Plan, tenders would necessarily be the same. In point of fact, list prices of the several manufacturers were ordinarily the same in respect of all major products but there were occasional differences in the Specialties or Group E Products. Thus, while shingles or roll roofing were almost invariably priced identically by all manufacturers, it was extremely difficult to arrive at the same uniformity regarding Specialties. This seems to have been a source of difficulty. See, for example, the evidence of E. M. Cockshutt at pp. 1233-34. Another difficulty seems to have been freight or transportation charges. At least part of the difficulty arose from the fact that many tenders called for laid-down prices at military camps such as Petawawa, Aldershot, Valcartier, etc. and the freight charges to these points were hard to calculate accurately."

Any departures on tenders from the common basis of pricing established by the Merchandising Plan were regarded with concern by the manufacturers and efforts appear to have been made to determine the circumstances giving rise to variations in prices and to find means to secure a common basis of prices.

In a letter of August 25, 1950, C. P. Wyman of Bishop wrote to the Association Secretary as follows:

"Referring to conversation of this morning. Reynolds & Sons, Contractors, who have the 207 House job at Barriefield.

Looks like some skull-juggery going on some place-as I have what I believe absolute information that Reynolds have been quoted \$7.28 sq. on Shingles, \$2.36 roll on 12# Asphalt Felt, \$3.08 roll on 90# M.S. Roofing.

This is ridiculous. If direct quotation by manufacturer-it means that they have been quoted base price on Felt & Roll Roofing- but 14¢ sq. below base on shingles. Information is that shingles quotation is on old prices plus small brokerage commission. At moment I do not know whose shingles are to be used-but this will certainly be known as soon as the first lot is delivered on the job.

I am not particularly concerned because Bishop shingles are not being used- but I am concerned that any manufacturer has either direct or through a connection allowed a cut-price quotation to be submitted.

My information on this subject is from a confidential source- but a source that I have utmost confidence in- and does not check with the information you gave me this morning."

(BAP-8-1)

On November 21, 1950, C. P. Wyman of Bishop wrote to R. O. Boland in regard to a tender on which the company was not successful. In his letter he said:

"When it comes to these special jobs - it seems the only way we can get business is to cut price - think you should clear this at next meeting. We lost business at Valcartier because we were underquoted - and finally we got back in by doing the same thing and Gordon Schroeder asked us to clear future quotes properly and he would also. If we have to do the same thing on Petawawa jobs - I am agreed but think it foolish on part of someone to invite industry cut-prices on government business."

(BAP-41-3)

Replying to this letter on November 26, 1950, Mr. Boland wrote:

"6. The matter of the recent tender to the C.C.C. (Canadian Commercial Corporation) is quite disturbing. I will certainly hit this one hard at the next meeting."

(BAP-41-2)

Sometime in March, 1951, a formula for calculating quotations on federal government business appears to have been circulated among the manufacturers. Writing to officials of Brantford on March 13, 1951, E. M. Cockshutt said:

"We occasionally have requests to quote the Federal Government Departments, particularly Canadian Commercial Corporation. I am, therefore, attaching a standardized method for such quotations."

Will you please see that your quotations made in this regard conform to the above sheet."

(BRC-13-2)

The schedule attached to Mr. Cockshutt's memorandum gave the discounts to be applied to the dealer prices of the various categories of products and then described the method to calculate freight costs. The schedule gave the following terms of sale.

"Terms will be net 30 days no cash discount will be allowed."

(BRC-13-2-2)

The situation in regard to government tenders in British Columbia is referred to in a letter of June 20, 1951, from the Vancouver office of Johns-Manville to the Winnipeg office of the company as follows:

"I do not believe that the loss of these 300 rolls of roofing necessarily means that we have been undercut on prices. The C.C.C. here has 10 suppliers on their list and we are all quoting exactly the same price. . . ."

(JMV-4-3)

In Districts #1 and #2 there appear to have been some quotations by distributors on government tenders which gave better terms than those offered by manufacturers. Mr. Boland of Bishop commented as follows in a letter of June 16, 1951, to a company salesman:

"2. Mr. Wyman has sent me your letter of the 8th re Halifax prices to the CCC. This matter will be discussed at a meeting next week and, I hope, cleared up. Actually, what Piercy and others are doing is trade on the 2% cash discount plus, I suspect, make a few cents on the trucking from St. John. We sell to CCC at net 30 days and to dealers at 2% 10 days, and possibly some give a little longer."

(BAP-29-7)

Action to extend to governmental agencies a cash discount of 2% is indicated in the minutes of a meeting on June 18-19, 1951, one paragraph of which reads as follows:

"5. Brantford Roofing Company Limited stated that effective immediately, their cash discount quotations to all Federal Government Departments in Districts #1 and #2 would be 2% 30 days, net 60 days, to apply on the delivered prices quoted."

(ARA-144-2)

Notes of this meeting made by an official of Carey contain the following:

"4. Government quotations now to read

2% 30 days net 60
instead of
net 30 days as now."

(ARA-33-6-35)

The following comments on the basis of quoting on government tenders are contained in a letter of June 26, 1951, from C. J. Kirlin to W. G. Currie, both of Currie:

" . . .

This new ruling of 2% 30 days - were being allowed by some anyway - bad feature to be allowed on freight in case of delivered prices.

Art Wynne is working on a bulletin dealing with cash discount with particular reference to delivered prices which he will more or less broadcast to the group. . . ."

(CPL-14-2-2)

Writing to Mr. Kirlin on July 5, 1951, Mr. Currie said:

"Have your several letters regarding your quotations and receipt of order from Defence Industries.

As you probably learned they decided to extend the 2% 30 days on the delivered prices to the Government Departments at our last meeting at Chanticle, and I am glad your order finally ended up on that basis. However, you did evidently make one slight error, that is using the carload freight whereas in the Province of Quebec there is only one rate for Class D products. However, this is not too serious as I imagine others have done the same thing.

. . . ."

(CPL-13-9)

During the summer of 1951, Bishop submitted a low tender for material required at Valcartier Camp. On June 29, R. O. Boland of Bishop wrote as follows to C. P. Wyman of the same company:

"The lid is now off. Chartre has seen our quotation on the 2000 rolls, and it seems that others have all information. It is also claimed that Maurice Moreau said that he had instructions to quote FOB Valcartier.

I understand that Vic Proulx has been instructed to meet anything that is going and just how far the ramifications will carry is quite a guess. The stand is taken that this is the first time in a long while that a Manufacturer has deliberately quoted below base. . . ."

(BAP-43-1)

Apparently because of the belief that shipments by truck were being diverted to Valcartier and thus avoiding a separate freight charge, Bishop had previously indicated that it intended to make Valcartier an f.o.b. point. A letter of June 1, 1951, from C. P. Wyman of Bishop to R. O. Boland contains the following:

" . . .

[Mr. Schroeder of Barrett] called the other day and asked why we had declared Valcartier f.o.b. I told him the reasons - and also Charlie Browne called last week while you were fishing - and I suggested he should withhold his official notification until the next meeting - so that a discussion on the broader implications could be discussed and talked up."

(BAP-43-5)

On July 6, 1951, R. O. Boland of Bishop wrote to the Association Secretary as follows:

"I wrote to you on May 23d advising that we were making Valcartier an FOB point. However, during phone conversations between You, Cliff and Gordon the move was suspended and there now seems to be considerable confusion. To make our stand clear, we now reaffirm our previous declaration and we will make Valcartier an FOB point as of midnight, Monday June [July ?] 9th. You might wish to send wires to interested parties.

Glad to hear you will be with us at Jacques Cartier. The place would not be the same without you. See you Wednesday morning."

(BAP-28-5)

The next day the following telegram was sent by Bishop to Building Products, Barrett, Murray and Carey:

"TO AVOID FUTURE MISUNDERSTANDING WE ARE DECLARING VALCARTIER FOB POINT IMMEDIATELY."

(BAP-42-10)

The minutes of a meeting on July 11-13, 1951, record that Brantford restated the terms on sales to federal government departments, as follows:

- "3. Brantford Roofing Company Limited repeated their previous declaration that terms to Federal Government Departments, excluding Canadian National Railways and Canadian National

Steamships, would be 2% 30 days, net 60 days, in their sales districts #1 and #2, and would be granted only on payment of their account within the 30-day period."

(ARA-143-1)

Later in the summer of 1951, some distributors appear to have submitted tenders at prices lower than the basis under the Merchandising Plan. It was said during argument that in some cases dealers more interested in supplying materials other than asphalt roofings, reduced prices on the latter in order to make their quotation on the total tender more attractive. The following memorandum of August 10, 1951, marked "No file copy please destroy" from L. F. Long to S. M. Barclay, both of Building Products, refers to wholesalers rendering at prices below those of the manufacturers:

"Two recent lots of roll roofing for the Federal Government, at Valcartier Camp, have gone to Quebec wholesalers at prices lower than those published and quoted by manufacturers. Philip Carey material was supplied in both instances. As a result there was the thought that we should make a very low quotation on the next request for bids.

After thinking the matter over I came to the conclusion that this would not be the thing to do. What I have done, therefore, is to advise all Eastern manufacturers, without exception, that we are still sticking to our prices as published, but if any important Government award goes at prices below those published by the manufacturers we will automatically withdraw any commitment we have to the rest of the Industry as to publicity of our prices to the Government. I have told this to Joe Edmonds and Mr. Moffatt is telling Mr. Coffey the same thing."

(BPL-9-3)

The following reference to the position taken by Mr. Long of Building Products is contained in a letter of August 18, 1951, from C. J. Kirlin to W. G. Currie, both of Currie:

" . . .

Tenders for 10,000 Rls Defense Con'sn. due to be opened Aug. 20th. Having Quinn sit in on this. I would not be surprised if providing nobody beats the gun and I don't think any mfr. will after Len Long's reading of the 'Riot Act' - if we were to get a piece of this. However, cannot discount the Quebec Dealers. They are likely to do anything.

. . ."

(CPL-13-2)

Mr. Kirlin's evidence in regard to this tender and also in regard to Valcartier Camp was as follows:

"Q. When you say nothing happened, what do you mean by that?

A. Nobody sniped or changed prices, or did anything.

Q. The prices were identical and the business was distributed?

A. It was sold to the federal government at the rate at which they are entitled to buy, which is the very best we have to offer.

Q. You said a moment ago that the situation eventually was straightened out?

A. Yes.

Q. You were referring to Valcartier?

A. Yes.

Q. This would appear to indicate that it was straightened out about this time?

A. Yes."

(Transcript, p. 1437)

Competitive tendering by distributors of asphalt roofing apparently continued to be a disturbing factor. An office memorandum of Murray, dated September 8, 1951, contains the following:

"We have received Invitation to tender #40-4-5361 for two hundred and fifty squares of 210# 3-I Green Shingles and one hundred and twenty five squares 3-I Red Shingles, closing Sept. 17th for Aldershot Military Camp, N.S. Unless we take some action or quote other than according to our merchandising plan this business will go to Piercey [a distributor]. Our present plan merely serves to hold an umbrella over him as it enables our quotation to be figured to the cent by anybody. Have you any suggestions."

(DTC-22-3)

A new basis of quotations on government tenders was announced at a meeting on September 11-12, 1951. The official minutes record:

- "8. The Barrett Company Limited stated that effective immediately, they would quote directly to Federal Government Departments in Districts 1 and 2 only on the basis of dealer net qualified prices less 5%, on all products."

(ARA-141-2)

Notes of the meeting prepared by G. A. Hall of Johns-Manville contain the following:

"Barrett Co announced that effective immediately they are revising their pricing basis of quotations to Federal Gov't Departments (except RR) to 5% below dealer base level on all products. This applicable to Districts 1 and 2 only."

(ARA-63-9-15)

This portion of the notes has a marginal notation reading:

"Art Wynne [Building Products] will prepare and send out formula."

In his evidence (p. 716 et seq.) Mr. Wynne stated that he prepared a new formula and sent it to the Association Secretary to be circulated among the manufacturers.

Reporting on the meeting of the Association in a letter of September 12, 1951, to C. P. Wyman of Bishop, R. O. Boland said:

- "1- Since quotations to the Dom Gov have become somewhat of a joke, there has been a 5% reduction in our prices to the CCC, etc.

..."

(BAP-42-3)

Writing to C. P. Wyman of Bishop on September 23, 1951, Mr. Boland of the same company suggested that more care should be taken in preparing quotations on government tenders. His letter reads:

"While I was checking back on the figures for the recent quotation to Aldershot I found that, if you had used the right list price, you would have been below all others on the basis of the wrong fight rate and we would have been right back in the soup.

The Kentville rate is no longer 34¢, it having been changed to 38¢ in the note from Chas Brown dated July 31st. I also covered the matter in my bulletin of Aug. 5th.

I do not know who keeps your book up to date, but they should use more care or we will find that quotations to CCC have gone down another 5%"

(BAP-42-1)

Mr. Boland referred to the same subject in a further letter of January 6, 1952, to Mr. Wyman, as follows:

"We did not have a minute alone yesterday and I did not wish to discuss this subject before others. This is the start of a new year, and I would very much like you to give serious thought to the plight of the poor old Gen Sales Mgr who, under our present set-up, does not have a ghost of a chance of properly performing his functions.

If you feel that the Rousseaus, the Maltais, etc. must be handled by Portneuf without consulting the Sales Mgr, OK, I am not complaining any more about anything.

However, CCC is another matter because it can cost Bishop a lot of money in the long run. At present, it is standard practice for me to tell the Industry one thing and for Portneuf to do something quite different and, of course, no one takes our statements in a serious manner and our good intentions are questioned. Frankly Cliff, I personally do not give a good Damn, you are the Boss and you can have it whichever way you want it. On the other hand, we would make much greater progress if the various functions of each department of Bishop were performed by the respective dept.

If, after thinking the matter over, you decide to let me handle all Gov quotations, a lot of good could be done by your dropping a hint to that effect when you are with Len and Gordon next week, we can leave it to them to spread the news.

I know that others have made mistakes and that we should be given a fair chance to make just as many, but, unfortunately for us, on both the Valcartier and Aldershot jobs, there was checking done before the prices were sent in and, in both cases, it turned out that Bishop's sales manager did not know what his Company actually quoted, but as I said above, if you want it that way, this is the last you will hear about it."

(BAP-23-2)

Similar concern about quotations on government tenders is indicated in correspondence between two officials of Barrett during January and February 1952, about the price of one type of shingle being one cent different from prices of competitors for the same type of shingle. The difference arose because Barrett took a discount from a factory list price while competitors used a dealer list. The following appears in a Barrett letter of February 13, 1952:

" . . .

Inasmuch as this discrepancy of a fraction of a cent occurs in the pricing of only one type of shingle, and also due to the fact that we have had no complaints from any other source, it would seem the wisest move to make proper explanations to Roofers Supply who, for various reasons, should not be greatly concerned about such a minor matter.

It should be understood that we are not being stubborn about the matter, but if the prices were altered one cent at the Factory List level, it would throw out our quotations on Federal Government tenders, and create quite a tempest in that connection. All of this due to the mathematics of further discounts beyond the dealer level.

. . . "

(BCL-27-2)

The following reference to government tenders appears in a "Monthly Operations Report" of Johns-Manville dated April 7, 1952:

"Asphalt Shingles and Roofing for military use are also being requisitioned in substantial quantities. As recent tenders have all been equal from all manufacturers, the

business has been placed on a rotation basis."

(CJM-24)

4. Distributive Channels

(a) Classification and Selection of Customers

In Districts #3 and #4 the common basis of pricing asphalt roofing which has been provided in the Merchandising Plans for the respective districts has involved the classification of customers to a larger degree than has been the case in Districts #1 and #2. The most detailed classification has been made in the Merchandising Plan in District #4 as is illustrated by the Price Application Section of the Plan for 1951 (ARA-66-5):

Revised Feb. 8th, 1951

"SECTION 4

PRICE APPLICATION

DISTRICT NO. 4

We recognize the following classifications of prices f.o.b. Vancouver and Victoria and New Westminster, for shipment into District No. 4.

A PRODUCTS (ASPHALT SHINGLES AND ASPHALT SIDINGS AND BB PRODUCTS, (ROLL TYPE SIDINGS)

Note: This section does not apply to Rigid Asbestos Shingles and Sidings.

100%	List prices to consumers
90% (List Less 10%)	Prices to contractors, municipalities and industrials and applying contractors
80% (List Less 20%)	Prices to dealers, application Companies, all B. U. Roofing Contractors, Dominion and Provincial Governments, Railroads and Large Industrials, Large Municipalities and Cities, Catalogue and Mail Order Houses.
72% (List Less 20% & 10%)	Prices to Wholesalers, Service Distributors.

B. C. & E. PRODUCTS (ROLL ROOFING, SHEATHINGS,
DRY FELTS, BUILDING PAPERS, SPECIALTIES)

100%	List prices to consumers
90% (List Less 10%)	Prices to contractors, applying contractors, industrials and municipalities.
80% (List Less 20%)	Prices to Dealers, Application Companies, All B.U. Roofing Contractors, Dominion and Provincial Governments, Railroads and Large Industrials, Large Municipalities and Cities.
72% (List Less 20% & 10%)	Prices to Wholesale Ship Chandlers (On B & C only)
70% (List Less 20% & 12-1/2%)	Prices to stevedoring companies on straight carload shipments of No. 2 Dry Sheathing only.
68% (List Less 20% & 15%)	Prices to Service Distributors.
68% (List Less 20% & 15%)	Prices to Wholesale Ship Chandlers on E Products only
64% (List Less 20% & 20%)	Prices to Wholesalers, Catalogue or Mail Order Houses, on B & C Products only.
64% (List Less 20% & 20%)	Prices to Catalogue & Mail Order Houses on E Products only.
60% (List Less 20% & 25%)	Prices to Wholesalers on E Products only and to Paint Manufacturers on E Products only, sold under our own label.

D PRODUCTS (BUILT-UP ROOF MATERIALS)

100%	List price to consumers.
90% (List Less 10%)	Prices to Contractors, including those who are also approved B.U.R. Contractors, applying contractors, Industrials and Municipalities.
80% (List Less 20%)	Prices to Dealers, B.U.R. Contractors, Application Companies, Large Industrials, Railroads, Dominion and Provincial Governments, Service Distributors and large Municipalities and Cities, Catalogue or Mail Order Houses.
76% (List Less 20% & 5%)	Prices to Wholesalers on Roof Asphalt & Pitch only.
72% (List Less 20% & 10%)	Prices to Wholesalers, (See Section 5 - Page 5-A)."

The section 5 referred to at the conclusion of section 4, quoted above, dealt with quantity rebates which, of course, were another factor in the common basis of pricing in District #4 at this time.

The 1951 Merchandising Plan for District #4 contains the following trade lists:

Wholesalers	Catalogue or Mail
Service Distributors	Order Houses
Paint Manufacturers	Application Companies
Wholesale Ship Chandlers	

The Merchandising Plan in District #3 contains the following trade lists:

Built-up Roofing Service Commission Wholesalers
(Listed separately for Alberta and Saskatchewan)
Catalogue and Mail Order Houses
Wholesalers "A" Products
Application Companies.

The evidence indicates that the inclusion of names in the trade lists was carefully scrutinized and that special provisions were inserted in the Merchandising Plan to deal with particular conditions. For example, in the notes of the meeting in Winnipeg on January 19-21, 1948, made by Mr. Welch, then of Sidney, there is the following reference:

"Service Commissions to B.U.R. Wholesalers. This page is to be entirely re-written by the Secretary, with two sub-headings under the main heading 'Section B'. The first sub-heading to cover other than bitumens, and the second to cover bitumens alone. The new wording will state that a flat service commission to wholesalers will apply in Saskatchewan and Alberta.

Both sub-paragraphs will state that the service commission will apply on straight or mixed carloads only."

(SRP-1-12)

The 1950 Plan for District #3 has a section entitled "Service Commission to Service Commission Wholesalers". The first paragraph of this section provides that a rebate of 10% will be extended on sales to certain classes of customers but not to others. The concluding paragraph of the section reads:

"3. This service commission is to be issued monthly, but only after receipt of a formal declaration by the service commission wholesaler on a form agreeable to us, of sales

made by him on which he is entitled to claim a service commission, in accordance with paragraph #1 of this section of our merchandising plan, and only after we have satisfied ourselves that the declaration so made covers sales made in conformity with paragraph #1 of this section of our merchandising plan."

(ARA-126-2-16)

Mr. Welch's notes of the January, 1948 Winnipeg meeting also contain the following:

"On the list of built-up roofing servicing commission wholesalers (for Saskatchewan only), add the following wording under 'Western Steel Products Limited' - 'D' Felts only in straight cars of felts only; from one manufacturer only; sold by us only, and shipped to Saskatchewan only, for re-sale to B.U.R. roofers only, as evidenced by a certificate, and such certification is specifically not to be taken off the face of the invoice.

Under Built-up Roofing Service Commission Jobbers (for Alberta only), change Marshall Supply Company Limited to Marco Company Limited. Also change Wilkinson-McLean Limited to Northern Asbestos Products Co. Ltd., and add Lethbridge to the locations of this Company presently listed for only Edmonton and Calgary.

Under Wholesalers, District #3, change Henry Marshall Company to Marco Company, and change Wilkinson-McLean Limited to Northern Asbestos Products Co. Ltd."

(SRP-1-12)

The 1950 Merchandising Plan for District #3 lists Westeel Limited of Saskatoon, Sask. under Built-Up Roofing Service Commission Wholesalers as follows:

"Westeel Limited Saskatoon, Sask.
(For reported sales to other roofers from a stock delivered in straight C.L. only of our own 'D' felts to their Saskatoon, Sask. warehouse only)"

(ARA-126-2-25)

Changes in trade lists also appear to have been made by notice in writing as well as at meetings, as is illustrated by the following correspondence from the files of Barrett.

On March 2, 1949, W. N. Ragland of Barrett's Winnipeg office wrote to J. M. Young of the Company's Montreal office, as follows:

"Class 'A' Wholesalers

SUBJECT

G. McLean Co. Ltd.

Will you kindly ask Mr. Browne to add this firm to the list of 'A' Wholesalers. Our object of course is distribution of roll brick siding. Very few if any shingles will be involved.

. . .

P.S. In view of the addition of the Federal Sales Company In Alberta by Sidney as 'A' Wholesalers, it is my opinion that we may as well consider any and all wholesalers as class 'A'."

(BCL-82-9-7)

In his reply on March 9, 1948, Mr. Young said:

"I do not think this is the way to handle an account who has never handled group A products before. I think this should be declared at Winnipeg and then we will clear for listing with Mr. Browne.

On the other hand, having sold Cochrane Dunlop at Hudson for shipment into District #3, we have advised Mr. Browne that they should be so listed under the Manitoba column because undoubtedly they ship into Manitoba."

(BCL-82-9-6)

On March 24, 1949, the following letter was sent by Barrett's Winnipeg office to Building Products, Winnipeg and to Brantford, Johns-Manville and Murray:

"G. McLEAN COMPANY LTD.

This is to advise that effective at once the subject Company has been placed on 'A' list, and will handle Roll, Brick Siding under this classification. They will not, however, be supplied with Asphalt Shingles."

(BCL-82-9-5)

Apparently there was a change subsequently in the classification of G. McLean Company Ltd. because on August 23, 1949, Barrett's Winnipeg office wrote to some manufacturers as follows:

"Please note that effective at once we are now placing G. McLean Company Ltd. on the A wholesale list."

(BCL-80-2)

In connection with the same matter, J. M. Young of Barrett, Montreal, wrote to the Association Secretary on November 15, 1949, as follows:

"In clearing my Winnipeg file I find that we declared G. McLean Company as wholesalers for class 'A' products in Manitoba. This declaration was made under date of March 24th and therefore we made no declaration last week. Note of this declaration should be made in your next listing."

(BCL-82-9)

During the period when quantity rebates were included in the Merchandising Plan in District #4 the classification of customers was also important from this point of view. The following correspondence between Sidney and the Western Secretary illustrates the attention which was given to this aspect.

On September 2, 1948, the Western Secretary wrote to Sidney as follows:

"A question has been raised here as to the eligibility of the Pacific Sheet Metal Works to receive rebates.

On basis of figures supplied by your Mr. Cross, on July 16th, I sent out a qualification for this Company for 8% and 10% for Period No. 1.

I wrote to Mr. Cross on July 28th, enquiring as to the status of this firm and he advised that they are an approved built-up roofing contractor.

In my opinion, this would not entitle them to rebate unless they also operated as a dealer and complied with your Plan definition.

Will you kindly look into this and advise?"

(SRP-20-3-2)

Sidney made the following reply on September 8, 1948:

"Due to a misunderstanding in our office we asked you for a qualification for Pacific Sheet Metal of Victoria.

It would be appreciated if you would advise us of a cancellation of this qualification as these people do not come under the qualification of an approved built-up roofing contractor."

(SRP-20-3)

The evidence establishes that members of the Association discussed with each other the manner in which the goods of one manufacturer were sold by his distributor and also that in some cases undertakings were given and accepted as to the manner in which the products of one manufacturer would be distributed.

On May 17, 1951, M. V. Coffey of Carey wrote to J. A. Edmonds of the same company:

"In confirmation of our conversation when I was in attendance at the Asphalt Roofing Industry meeting, will you please put into effect as soon as possible the following program.

Discontinue selling or shipping to your sales representative in the Maritimes, The Wild Company.

Mr. Wild can continue to solicit orders from recognized outlets we to pay him on the regular commission basis; however, in that Wild has been active in the selling of our products direct to contractors, which has caused dissatisfaction among the dealer trade, it is my recommendation that as soon as possible you locate a good manufacturers representative to replace Mr. Wild as our selling agent.

. . .

Discontinue as quickly as possible, effective I should say by June 15 at the latest, the special discount quoted to Roscoe."

(PCM-4-1-2)

The following is contained in the reply of Mr. Edmonds on May 30, 1951:

"This is a belated acknowledgement of your memo of May 17th dealing with sundry matters arising from the roofing meeting you attended with me in Toronto.

Your instructions on George C. Wilde will be followed as quickly as possible, but George is carrying quite a stock of our material and I do not wish to cause him any embarrassment or losses.

I believe that Wilde must be cut off entirely for it is not too practical to have him as our agent while he is still operating his own company.

. . .

Instructions you gave me on Rosco will be followed. There is, however, a question which is on my mind in this matter and it stems from the spirit of the informal discussions which took place the evening of the meeting in Toronto with various friends.

What I am concerned about is, while we are planning to play ball with our friends on this Rosco deal, we are proceeding with the setting up of a similar deal with The Atlas Asbestos Company Ltd. Do you not think that if we proceed with Atlas our friends in the industry are going to feel as they have on our dealings with Rosco? Our quotation to Atlas is a direct infraction of our own merchandising plan and I may say that if Rosco was aggressive, they are tame to what we can expect from Lorne Bain and his crowd. Bain and Atlas are synonymous with price infractions in this part of the country.

I realize that this Atlas affair originated with Messrs. Sheppard and Humphrey and I am only making the above remarks because of what transpired at that meeting in the Royal York, referred to above.

In the meantime, of course, we will proceed with eliminating the Rosco arrangement and will continue to promote the Atlas deal to the best of our ability."

(PCM-4-1)

In a further letter on July 11, 1951, Mr. Coffey said:

" . . .

I have read your memorandum of June 28th very carefully. I can't agree that we were the recipients of some mud slinging at our formal meeting in Canada. To me, the situation is crystal clear. I don't care about Ferron: I just can't see why any dealer or group of dealers would buy from a man like

Wilde when said Wilde also sells direct to contractors. I disagree with your thinking that after we withdraw Bill Latham, our situation becomes very weak if we retain Wilde -- Would you if you were a dealer, buy from a man that was selling to your customers? Of course you wouldn't.

How come, on the same date (June 16) John C. McMillan, Limited, of North Sydney, Nova Scotia, and J. W. Stephens, Limited of Sydney, Nova Scotia, both write letters in favor of Wilde? -- Isn't it obvious to you that these letters are inspired by someone? -- How much business has J. W. Stephens Limited and John C. McMillan Limited given to us through Mr. Wilde?

I have no objection to Wilde. I don't care whether it was Mr. Boland of Bishop Asphalt Papers or anyone else who objected to him. What I want in Canada is to have the Wilde practice of selling to contractors cleaned up, and I want two other sales agents to sell our products in the Maritimes.

. . ."

(PCM-6, 6-2)

Correspondence at about the same time among officials of Bishop indicates that the situation in regard to distributors in the Maritimes had been dealt with by members of the Association on a fairly wide basis. Writing to C. P. Wyman of Bishop on September 3, 1951, Mr. Boland said:

"Do you intend coming to Montreal next week? I have a lot of things to do and if you would like to take over I can keep quite busy. However, if you are not coming, I will be on hand.

One matter which is likely to come up is Mac Lennox and I would like you to clear up a point for me. Before we gave up the Feron Co I made it quite plain to all concerned that we would be mad as Hell if someone else sold them, and we were assured that this would not happen. However, I was never in on any conversations discussing the taking on of any of Austin's men if they left him. If you had talks with other manufacturers, please let me know so that I can get their support."

(BAP-42-7)

The following is contained in a reply of September 4, 1951, from Mr. Wyman:

" . . .

Regarding Mac Lennox & Geo. Wilde. It was definitely the understanding that no company would take on any of Feron's men in any capacity. When we discussed the possibility of making our change in Maritimes-we felt we were doing the industry a 'good-turn'-and taking a chance of upsetting our whole Maritimes distribution and if I recall correctly Bob Rogers was at that time S.M. of Carey-and it was agreed by him on behalf of Carey's that they would not touch any of them. Several months later Bob went to A. M. [Alexander Murray] and shortly after we learned that Carey's had made an arrangement with Geo. Wilde. I was in Bill Moffatt's office about this time and told Bill what we had just learned- so Bill called in Bob- who in turn said there was nothing to the story-but he did check with Carey's office again and advised by Carey's there was nothing to the story. Subsequently it was made official by Carey's- but following a meeting some months later attended by someone from Cincinnati-forget his name- but he is V-P i/c Sales who undertook to straighten out eh[sic] Geo. Wilde case. This has never been done. in fact it has been extended so that Geo. Wilde now has all of N.S. and Mac. now has all of N.B. While it is true they are supposedly on an aganecy [sic] basis or straight 5% commission - it is nevertheless not backing up the commitment given us by Bob Rogers insofar as Carey's is concerned.

" . . .

(BAP-42-5)

Writing again to Mr. Wyman on September 18, 1951, Mr. Boland said:

"I frankly hope that the wire to Geo Wilde will discourage him from placing the CL order because he obviously wishes to simply peddle it in small lots at dealer cl prices and retain the qualification discount if we are foolish enough to give it to him. Carey seem to be living up to their promise to keep Geo on a strictly agent basis and after all the fuss we have made, we shure [sic] would look bad with the Maritimes dealers if they found us back at the old stand."

(BAP-42-2)

Similar detailed discussion of an individual manufacturer's arrangements with a proposed distributor is indicated in inter-office correspondence of Johns-Manville about distributive arrangements in Vancouver. Early in 1951, Johns-Manville entered into tentative arrangements to have its products distributed in Vancouver by one

George Carey, formerly a sales manager of Sidney. In the end the proposed arrangements were not carried out and similar arrangements appear to have been made by Johns-Manville with another firm, Northern Asbestos and Construction Supplies (B.C.) Limited.

On April 10, 1951, when the arrangements with George Carey were in prospect, C. G. Shore of Johns-Manville's Vancouver office wrote to J. S. Mulock of the Company's Winnipeg office as follows:

"I was very sorry that I was unable to attend the Industry meeting so that Len and I could have presented a united front, but I got a fairly good picture of the proceedings and I do not feel that the action contemplated in your wire yesterday would be warranted.

The general complaint was that J-M would now have both service Distributors and Wholesalers and this would allow the rest of the Trade to appoint large dealers as Distributors and hence open up the dangerous possibility that the Line yards would receive preferred prices. Sidney helped promote the outcry and I cannot help but feel that this is prompted by pique at their former manager moving over to the competition - as Vickers moved from J-M. The second complaint was that we had carried out negotiations with Carey before he was actually established in business. This charge is ridiculous, of course, for both Barrett and ourselves worked on the Canfor deal before it was ever firm, and Sidney grabbed up both V. D. Gray and Henry Marshall as soon as they left Canada Roof.

Today, Len called on Bordewick of Alex. Murray and I called on Hudson [Barrett] and Wray Jones [Canada Roof]. We pointed out firstly that the deal with Carey is contingent on him setting up a firmly established business and that nothing has been concluded yet. We emphasized the point - and they heartily agree - that the Service Distributor system comprises the real danger to the trade, for as long as it is in force, other yards have a legitimate complaint and the right to request a similar discount. This step of ours represents an effort to get away from this set-up and we pointed out that it was impossible to cut off our former connections at once. We requested their co-operation in holding off any moves by the industry until we have a chance to get this outlet established, for it would be for the good of the industry to get away from this Service Distributor system, and so remove the Line Yard threat. After all, none of us has anything to gain by extending larger discounts to present customers. I am confident that we can hold the industry in line on this matter and I feel we should proceed with Carey, for this whole argument proves our

vulnerability under the present system. The three contacted today have promised to hold off and this should preserve the status quo."

(JMV-10-2)

The following year when Johns-Manville had entered into arrangements with Northern Asbestos and Construction Supplies (B.C.) Limited, Mr. Shore wrote to Mr. Mulock as follows:

"Northern Asbestos & Construction.
Your letter of May 19

Although we have been pressing this company, they have just commenced to prepare for a Butler Building adjacent to their present warehouse and it will be over a week at least before it will be ready for use. They are still having difficulties in obtaining their spur lines and I can see little chance of it being ready before July. It will thus be necessary to request an extension of time on this warehousing agreement until at least June 15. We will attempt to move the material presently billed to them as soon as possible and then enter the remainder as stock orders as you suggest.

I am afraid this is going to lead to trouble if it is learned that we are again carrying stocks but we will do our best to keep the situation under control. The Industrial meeting has been called for next Wednesday and I am afraid there is going to be considerable trouble over the last roofing project for Centrial [sic] Mortgage which went to Hodgson.

I shall keep you posted."

(JMV-19-2)

The selection by Johns-Manville of Northern Asbestos and Construction Supplies (B.C.) Limited as a wholesale account appears to have given rise to question by Sidney of the terms on which another account, Hodgson Lumber Company, was being supplied by Johns-Manville. In a letter of June 2, 1952, Mr. Shore wrote:

"Last week Jack Craig insisted most emphatically that we place a rigid time limit on the distributing activities of Hodgson Lumber Company. He stated that he was under the impression that they would not continue beyond a two month priority and if we did not act, they would be forced to review the position of both Valley Lumber on the mainland and Stewart and Hudson on the Island both of which as you know are line yards. He stated that they have been able to keep them in line

by pointing out that Hodgson was our only outlet but that now that we have a wholesaler, they see no valid reason why they should not be given some valid catagory [sic] as Hodgson.

We shall probably be meeting again within the next three or four weeks and I will be grateful if you would send me your advice before that time."

(JMV-17-2)

The removal of quantity rebates from the Merchandising Plan in District #4 in the summer of 1952 appears to have affected the terms on which Johns-Manville supplied its products to Hodgson Lumber Company. The following is a portion of a letter of June 25, 1952, from Mr. Shore to Mr. Mulock:

"I have today had a full discussion with Fred Hodgson and explained that we were implementing our new merchandising plan which allowed for quantity purchases and that under this plan it would no longer be possible for us to extend him the additional discount on Asphalt products, as discussed with you, but we would continue to give him every support in merchandising our proprietary lines. . . ."

(JMV-17-1)

Mr. Mulock wrote to Mr. Shore as follows in a letter dictated on June 25, 1952:

"As I told you on the phone this morning, Mr. McClean is in Winnipeg at the present time and his chief reason for his trip was to attempt to clear up the B.C. situation re Hodgson, etc.

The information you gave to me this morning would seem to be the answer to a maiden's prayer. Bill Sinclair phoned and we discussed the B.C. situation with him and I outlined briefly the new merchandising set-up in B.C. and he was very pleased to feel that we can eliminate Hodgson and Davies without it having to appear as if Johns-Manville made the move as a Company. In this case we are being forced into such a move by the industry.

. . ."

(JMV-19-1)

(b) Resale Prices of Distributors

The evidence in the inquiry relating to the efforts of manufacturers to maintain resale prices deals with activities prior to the passage of the amendment to the Combines Investigation Act which prohibited the practice of resale price maintenance. No question was raised, therefore, as to the application of the current law.

Throughout the period to which the evidence relates it is apparent that the manufacturers suggested resale prices at the wholesale and retail levels and made efforts to have such prices observed by wholesalers and retailers. The policy of the manufacturers was described in the following way during argument by counsel who presented the joint brief for the manufacturers:

"What they did believe in though was the suggestion of prices to dealers and to wholesalers, and they were hoping that those prices would be adhered to. When they were not they discussed the matter with their own wholesalers and their own dealers and even when mail order houses or other people's wholesalers were not following the suggested resale prices of their suppliers they felt free, each company, to talk to their competitors and point out to them that some of their wholesalers or retailers or mail order houses were not reselling at the suggested prices, and the supplier concerned did what we wanted. He might speak to the mail order house concerned or the wholesaler and try persuasion to have these resellers resell at the suggested prices.

The record will be found at page 260 to 263 of the Statement of Evidence. I just indicate these references. I do not intend to read anything from them.

You will see by glancing at those three pages what the pattern was. Any manufacturer who found that a wholesaler was selling below the prices suggested in the wholesalers manufacturer's price list felt completely at ease and free to discuss it with him, and the manufacturer did or did not contact the wholesaler or mail order house to try to persuade these people to adhere to suggested resale prices."

(Transcript pp. 2937-2938)

In addition to evidence that manufacturers took up with each other, individual instances or price reductions by distributors, there is also evidence that in the pre-war and post-war period local meetings would be arranged between representatives of manufacturers interested in the particular area and dealers in that area in an effort to secure general observance of resale prices. In some cases the Association

Secretary would be requested to arrange for the meeting. The manner in which such meetings were arranged is described in the evidence of W. G. Currie of Currie, as follows:

"A. Well, I think what I probably meant by that is, at odd times, rather than disrupt the market, we would oftentimes try to get the local representatives together, and oftentimes Mr. Browne would be the means of getting them together. When I say the local people, I mean the local salesmen plus the local retailers. It was upsetting the market, and lowering the margin of profit for everybody around there; all the retailers were creating an unnecessary disturbance. As you probably know, somebody starts a thing like that, and somebody goes him one better, and the first thing you know you have utter confusion and nobody is making any money on any of our products, and we don't like to see that.

That has happened from time to time; we have called the local men in the area, and the local retailers, together and ask them if they can't stop cutting the retail price, which shows a bad return to them.

Q. Would that be a typical reaction for you, to sit down and write Mr. Browne in that manner?

A. It probably would be. I have talked to him two or three times on it -- not necessarily. Somebody could take it on themselves; I could have written to my brother and told him to organize the thing in the local area. No, I wouldn't say it is typical. He usually organized the meeting, but somebody else could have done it."

(Transcript, pp. 1457-1458)

The evidence contains a good deal of correspondence over the years relating to efforts to have large retail organizations, such as department stores and mail order houses, advertise asphalt roofing at prices in line with the suggested retail prices of the manufacturers. A few examples will serve to illustrate the practice followed.

A letter of February 10, 1948, from Sidney to Brantford contains the following:

"We enclose herewith copy of advertisement which appeared in the Vancouver Sun, dated February 4th, and we find on checking with Eaton's yesterday, February 9th, that the same prices are prevailing. In other words, they are offering to the consumer

2-ply, 3-ply and Mineral Surfaced Roofing at \$2.40, \$2.98 and \$3.65 a roll respectively, which is lower than our present British Columbia Dealers price.

Inasmuch that we understand this material is of your manufacture, we wondered if you could not take some action with Eaton's to protect the consumer price on these products.

Your attention to this will be greatly appreciated, and we look forward with particular interest to hearing from you in connection with same.

For your information, we enclose herewith one of our latest Dealers Price Lists, and also one of our Consumer Price Lists applicable in District No. 4, which prices, for your information, are f.o.b. Vancouver, Victoria and New Westminster."

(BRC-16-2)

In connection with an incident in Edmonton, Sidney wrote to Brantford on July 11, 1949, as follows:

"I am quoting a paragraph from Wray Jones [Canada Roof] letter of July 8th, which explains itself.

'Regarding Eric Cockshutt's comments in connection with Woodward's, Edmonton, we have been in touch with our man at that point, and I do not believe there should be any reoccurrence. He will be watching them very closely and they are very co-operative in these matters.' "

(BRC-30-4)

Shortly afterwards, on July 13, 1949, Canada Roof wrote to Sidney:

"Attached is another ad from the Edmonton Bulletin in which the W. W. Arcade are once again cutting prices. If you remember, we discussed this once before, and I believe you informed me that this situation had been taken care of. However, it appears to have cropped up again and we would appreciate you looking into the matter and taking whatever action you can to improve this situation.

We also have a copy of an ad from the Edmonton Journal of the same date in which Woodward's have also deviated from the list prices. The deviation, however, is not as great as that of the W. W. Arcade, but nevertheless we have asked our

Edmonton representative to check with Woodward on this matter."

(CRV-4-1)

Replying on July 15, 1949, Sidney wrote:

"I have forwarded your letter of July 13th promptly to John Vickers, who is on the Prairie and who I hope to catch in Edmonton. Undoubtedly he will do what is necessary to correct the situation, and I know he will be in touch with you about it at the end of the month."

(CRV-4-2)

On August 8, 1950, Canada Roof wrote to Building Products, Winnipeg, as follows:

"Attached is a clipping from the Edmonton Journal of July 26th, 1950 showing cut prices being advertised by the Army and Navy Salvage warehouse.

We would appreciate your advice as to whether anything is being done to cease publication of these prices."

(CRV-3-4)

The following reply was made by Building Products on August 10, 1950:

"Many thanks for yours of August 8th, addressed to Mr. Pringle.

As Mr. Pringle is in Edmonton at the present time, I have forwarded your letter and ad on to him, suggesting he take action with the Army and Navy Store as this type of advertising is very embarrassing to both our companies."

(CRV-9-5)

CHAPTER VII

EVIDENCE OF MANUFACTURERS AS TO NATURE OF ARRANGEMENTS AND PRACTICES

The nature of the merchandising practices followed by manufacturers of asphalt roofing was commented on extensively in the oral evidence of many witnesses heard during the inquiry. In regard to one aspect of the oral evidence the following summary was given in the Statement of Evidence:

"It was generally conceded by all witnesses that the industry operates on an open pricing pattern. This involves complete publicity of prices and an understanding that competitors are to be notified of all price changes and that published prices will be adhered to until such notification is given."

In presenting the general argument for the manufacturers, Mr. Forget said:

"The open merchandising, the open pricing plan, which I will define later, consists essentially of the manufacturers abiding by their own published prices and terms of sale until they publicly and openly declare to their competitors and to the trade that they will not any longer abide by them. In this case there have been a great many discussions between manufacturers on a number of phases of merchandising and it is inevitable by a system of open pricing and open merchandising that this should take place."

(Transcript, p. 2544)

"As I mentioned, the manufacturers were following a policy of open pricing; that is, they followed their own published prices until they changed them publicly. That is, they changed them, advising even their own competitors. That was admitted by my learned friend yesterday. They were free to change prices individually at any time whenever they wanted to unilaterally, and the evidence is absolutely overwhelming, and my learned friend admitted it yesterday, that there was entire freedom of the individual companies to change prices at any time. They were expected to do that openly, not secretly.

(Transcript, pp. 2556-2557)

The 1937 Merchandising Plan for District #3 contains the following references to publication of prices:

"Each manufacturer sets his own prices and changes them at will, but he is obligated to publish them promptly and to adhere to them strictly while they are in effect.

When price changes affecting a limited number of lines are made of insufficient importance to justify the publishing of a complete new price-list, the manufacturer shall notify the Secretary in writing and he, in turn, shall notify all other manufacturers of such changes.

Where manufacturers produce special types of asphalt shingles and sidings and such products are not listed on their regular published price-lists, manufacturers shall publish a special price-list on such products and circulate such price-list to the other manufacturers and to the Secretary and accompany same with a description of the product."

(ARA-69-3-30)

Merchandising Plans for recent years do not contain any similar provisions but the evidence is to the effect that the practice of open pricing has been followed in much the same way after as before the war.

Without attempting to review in detail the evidence given by witnesses as to the manner in which changes in merchandising policies were made, some examples may be cited which will serve to indicate the construction which was placed upon announcements or discussions on the part of the manufacturers. The following appears in the evidence of L. F. Long of Building Products:

"Q. Are you expected to announce any change in your policy?

A. That would depend on the circumstances which give rise to the change. If the change came because of some unannounced action by another company, we would feel no obligation to make any announcement before changing our own. If it were a matter of great urgency, there might not be time to make any announcement, and we might go ahead and make the change without an announcement, but as to matters of major importance, in which there is no element of urgency, and where it is not a matter of predominant interest to ourselves alone, we would not only discuss it, but we would announce it before we took action."

(Transcript, pp. 238-239)

"Q. If, Mr. Long, it happens in the form you state, if a company makes up its mind individually and decides that this is going to be so, may it not also happen in a particular case that it may come to a meeting with a suggestion that so and so be done?

A. I don't want to quibble about words, but it seems to me that it is an action that the company is prepared to take, unless they hear some good reason why they shouldn't; and certainly, it is always possible that they might change their minds.

Q. Yes. It could happen they would go to a meeting with a suggestion, and finding that it did not meet with approval, as a result of the reasons advanced against it they would drop it?

A. Quite possible."

(Transcript, p. 247)

Mr. Stuart M. Barclay, also of Building Products, gave the following evidence:

"Q. On occasion is the figure suggested by the manufacturer who is the low man raised by discussion with other manufacturers?

A. There have been compromises, yes.

Q. Is it not true to say, Mr. Barclay, in all fairness, that the whole plan is a compromise?

A. That is right."

(Transcript, p. 466)

A portion of the evidence of E. M. Cockshutt of Brantford is as follows:

"Q. Is it a fact that in order to effect a change there must be some sort of agreement to the change?

A. Not necessarily agreement. There are an awful lot of changes made that have no agreement at all, by no possible stretch of the imagination.

Q. Just to clarify the thing. Assuming that a change is made downward so that the man proposing the change becomes the low man. If he decides to make that it almost automatically goes in, does it not?

- A. If the rest of us wanted to meet it, that is what we would have to do, come down to it or find some other way of doing it.
- Q. Take the reverse case where a man is the high man, where he wants a change made that would result in increasing the cost to the customer or something like that?
- A. A question of a declaration of that kind naturally would not carry the weight that it does on a downward movement; there is no doubt about that. I would say that in circumstances like that you would probably have to discuss it at some time with the others in order that the other people could see what the picture would represent when it was completed. You go into possible changes upward when economic conditions in the country tend to force one that way.
- Q. What would be an example of that?
- A. Rising costs will force anybody to eventually increase their selling prices.
- Q. Would the situation be something like this: all companies find that costs are going up and somebody says, 'We had better make [make] this change', and the change would be discussed and if all the companies thought it was in their interest to do so, they would follow the change?
- A. Yes, I would say that that is a fair description of it. As I say, somebody might mention that months before in order that the people could have a look and study the situation as to what the results are. Then the move might be nullified entirely by something else."

(Transcript, pp. 1212-1213)

In the evidence of G. A. Hall of Johns-Manville the following appears:

- "Q. The situation is this, then, is it, that different viewpoints are expressed on what, for example, the rebate should be? Is any attempt made to get the low man up, the man who was initially low?
- A. Well, of course we could make the comment that, in our opinion, the 1,000 squares bracket qualification was perhaps more desirable, but it meant that a greater percentage of our volume would be subject to this discount and rebate, and we felt that perhaps in our estimation it was better

business for the qualification bracket to be at 1,000 squares, but that would not make any difference necessarily; the company that had declared its low position would undoubtedly maintain it.

Q. I suppose the situation is this. You say it would not make any difference necessarily. It might, or it might not?

A. It might.

Q. From time to time?

A. It is an interchange of views.

Q. It is an interchange of ideas?

A. That is right.

Q. And naturally, I suppose each man is arguing for his own ideas, each company?

A. That is right.

Q. Do you recall any occasion on which the viewpoint or the position taken by one particular company has been modified by arguments advanced by others?

A. Oh, I think I can recall cases where that did take place, but I could not state them specifically."

(Transcript, pp. 1595-1596)

Mr. J. M. Young, formerly general sales manager of Barrett, stated in his evidence:

"Q. What was the general practice before a merchandising plan was settled? Would it be discussed in the meetings?

A. Yes, most assuredly it was discussed at the meetings.

Q. And would a plan making rather far-reaching changes, as was done in 1949, perhaps call for more than the usual amount of discussion?

A. Could be, sir; if the changes were far-reaching, I presume it would.

Q. Presumably all companies would express their point of view, and, as you say, a summarization of compromise would be reached?

- A. All companies certainly expressed their views, or their own ideas, of a plan.
- Q. And in your opinion the plan that was finally reached never suited anyone a hundred per cent?
- A. I feel that very strongly.
- Q. That it was a compromise?
- A. Yes, but not reached in the spirit of compromise necessarily.
- Q. Just what do you mean by that?
- A. I mean by that, you came out of that with the best thing you possibly could, and it didn't necessarily satisfy you.
- Q. Do you mean you fought for your point of view and persuaded the other people to accept it as far as was possible, and what you finally got was what you were able to persuade the other people to accept?
- A. I don't know whether the word 'persuade' is right, Mr. MacLeod, but I don't know what to suggest in its place."

(Transcript, pp. 2025-2026)

Mr. A. Welch, formerly general manager of Sidney said in his evidence:

- "A. I would think in regard to our way of thinking, we would discuss it at a meeting. I think that would be discussed to this extent, that the question of what is the best plan, even for yourself in an industry such as the roofing industry, is a question of some involvement. It is not easy to decide just what is best for yourself.

You might go to a meeting fully convinced that this is what you want, this is what you are going to do, and somebody else has certainly the right to say, 'In our opinion anyway we do not think that that is right.' They may say that in their opinion this is going to do damage to the industry and they have thought about the situation and if it was put up to them, they would do so and so.

I would not deny that having listened to such comments by someone else that I would not make up my mind that I had been wrong in the first instance and modify my opinion of what might be best for me to do. I would think that it would be fair to state that that has happened, I know to

my thinking on occasion."

(Transcript, pp. 1539-1540)

The evidence of these and other witnesses in regard to the manner in which changes in prices were made was along similar lines. During his argument, Mr. Forget said that he would express the burden of this evidence as follows:

"... It boils down to this: when costs increased the manufacturers discussed the situation among themselves and some might even state that they were considering advancing their prices to such and such an extent. They would listen to comments from others and finally one manufacturer would take the initiative and announce a specific price change effective on such and such a date.

Now ordinarily, but not necessarily, he had a pretty good idea as to whether the others would follow or not. If he announced a decrease he was fairly certain that the others had to follow if they did not want to lose their business to him. If he announced an increase he had to take his chances. We have seen cases where some manufacturers have lived to regret an announcement because nobody followed, or only a few followed. He had to take his chance.

Of course the discussion would bring out the feeling of the meeting and in most cases he would be rather certain, but never completely, that the others would follow suit, at least to a large extent. That is the burden of Mr. Hall's testimony and of the other witnesses. . . ."

(Transcript, p. 2727)

The following is a portion of Mr. Hall's evidence on this aspect:

- "Q. No, I am thinking, Mr. Hall, of prior to a declaration, a certain manufacturer says his costs are going up, and there is some discussion along those lines. Would that discussion include an indication of the amount to which prices, in his opinion, might be raised?
- A. It might be -- he might indicate that, in his opinion, the fact of this increased cost made it necessary for him to increase his prices by so-and-so percentage in order to recoup the amount of the increased cost in the plant.
- Q. Might some other manufacturer indicate that a lesser increase would be sufficient and a lower increase should be made?

A. I would say in most instances the man who made the first indication of his feeling with regard to adjusted prices would probably be the high man, and it would result, after discussion, in an increase which would be on a lower percentage increase than the one that was originally announced.

Q. I was asking you if, when the indication was made by whatever manufacturer made it, the others would indicate what they were going to do; would that be a normal procedure?

A. If they would indicate what they --

Q. Perhaps I can give an illustration. Supposing there has been some discussion along the lines we have been considering and Building Products, for instance, comes out and says, 'We are going to increase shingles, 5 per cent; rolls, 10 per cent, and B. products, 8 per cent,' would it be likely the manufacturers would indicate they would put similar increases into effect?

A. That would come out of the general discussion which I indicated before, that one manufacturer would indicate that he might need 7 per cent increase in order to recoup the amount of the increases that had been imposed upon him, but after each manufacturer had had an opportunity of expressing his views, whichever manufacturer had indicated the lowest price, that would in all probability be the one that was adopted.

Q. Is it fair to say then it is the low man's position again?

A. It is -- it is the low man's position.

Q. And all of this discussion we have been considering would take place before a formal announcement to the trade?

A. That is right."

(Transcript, pp. 1629-1631)

Mr. G. D. Schroeder of Barrett made the following statement in his evidence:

" . . . If we were contemplating an increase in price we would perhaps throw up a trial balloon at a meeting or with individuals, and test the feeling. We would not do it unless we felt definitely that a price increase was necessary, based on costs and so on. Depending to some degree on the attitude that we would read into the other individuals, we would move. Now, if the rest did not move, we would be back where we

started from, because we would have to go back to our old price set-up."

(Transcript, p. 383)

Mr. R. G. Rogers of Murray said in his evidence:

" . . . If we were considering making up a revision of our prices, due to cost increases, labour increases, freight increases, we would certainly advise the other companies who we felt would be affected, to see if they were, and try and determine what the result was on their own particular operations profit-wise, and every wise. We would get the feel of the industry before we made any upward revision of prices."

(Transcript, p. 846)

CHAPTER VIII

APPRAISAL OF DOCUMENTARY AND ORAL EVIDENCE

It will be evident from the references which have been made in the preceding chapters to the testimony of present or former officials of the various companies and to the arguments which were made to the Commission on behalf of the manufacturers that the general position taken was that the common pattern of merchandising was the result of each manufacturer deciding individually to follow the same plan. At one point in his argument Mr. Forget said:

" . . . There is no agreement involved in this. It is a practice of merchandising that I will adhere to my published prices until I publicly change them. I do not have to agree with anybody. If they have all followed that, it does not mean there was an agreement between them to do it. They all did it, but there is no evidence that they agreed to do it. If there was an understanding surely, it would not go farther than this. Do as you please in respect to your price, but let me know what you are doing so I can meet you in competition. That was the agreement, if you call it an agreement."

(Transcript, p. 2559)

With reference to the freight plan, Mr. Forget said at one stage of his argument:

"These extracts would show whenever there was a lower rate or a lower rate was discovered than that published in the freight plan, the company discovering it would normally notify the secretary of the association who would amend the freight book accordingly and issue the appropriate bulletin to the companies. This was equivalent to a unilateral declaration by the company discovering the lower rate.

Of course the others were bound to follow that lower rate if they wished to remain competitive. On the other hand, when a rate in the freight plan became lower than the lowest available published rate of the carriers, as would happen with a general increase in rail rates, any manufacturer was free to discuss the matter with the others, and if he felt reasonably sure they would follow he would make a declaration which, if it became clear that the others were following suit or would follow suit, would serve as a basis for an upward revision of the freight plan. It was the traffic committee who figured the details."

(Transcript, pp. 2915-2916)

It will be recalled that up until 1938, the minutes of the Association gave some indication of the nature of the discussions among members of the Merchandising Plan and that from 1938 on only general references were made in the minutes to the fact that the Merchandising Plan was discussed from time to time. The evidence of G. M. Walker, who was Association Secretary until 1940, was that "there was no marked change" in the practice of the manufacturers in arriving at a Merchandising Plan between the years 1936 and 1937 and the years 1938 and 1939 (Transcript, p. 2189). The evidence as a whole confirms that the nature of the practices engaged in by the manufacturers with respect to common merchandising policies has remained the same over the years.

Because the Association minutes for 1937 are the latest which indicate with some clarity the manner in which discussions affecting pricing policies were carried on, it is necessary to refer to them in appraising the nature of the understandings between manufacturers. For example, the minutes of a meeting on February 18-19, 1937, contain this paragraph:

- "6. The provisions of the Merchandising Plan in regard to cartage were discussed, particularly in relation to Ottawa. It was cleared definitely that the present section on cartage is satisfactory and will be adhered to by all manufacturers, subject to change by regular announcement when alteration is required."

(ARA-76-2)

During 1937 there appear to have been substantial differences in the views of some manufacturers toward a Merchandising Plan for 1937, and also in anticipation of a Plan for 1938. The following paragraphs are contained in the minutes of a meeting at Winnipeg on March 15-20, 1937:

- "1. When the meeting opened it was decided that an informal discussion, covering all current problems in connection with District #3, would provide the best method of approaching the definite objective of all manufacturers, viz: to secure a workable Merchandising Plan for 1937, one that would meet with unanimous acceptance."
- "7. After canvassing at length the proposals from the first two days of the meeting the following plan finally secured acceptance as a compromise solution."

(ARA-77, 77-3)

In connection with the 1937 Merchandising Plan for Districts #1 and #2, the minutes of a meeting at Toronto on April 15-16, 1937, record the following:

- "7. The following amendments to or clarifications of, the 1937 Merchandising Plan for Districts #1 and #2 were approved unanimously:"

(ARA-78-2)

Discussions were carried on over a very lengthy period before a Merchandising Plan for 1938 in Districts #1 and #2 was evolved. The Association minutes show that preliminary suggestions for a Plan for 1938 were considered at a meeting on July 13-14, 1937, when "discussion revealed the fact that at this time unanimous approval of any changes to the 1937 Plan could not be obtained" (ARA-82). The matter was discussed again at a meeting on August 19-20, 1937, when "it was revealed that quite a variety of opinions prevailed" (ARA-83-2). "A long discussion" took place at a meeting on October 28, 1937 (ARA-84-2). Various features were canvassed at length and it was decided to resume the discussion at the next meeting. This was held on November 4-5, 1937, when the first day was spent "in a complete discussion of principles of a 1938 Merchandising Plan" (ARA-85). Various alternative arrangements are set out in schedules attached to the minutes. These show proposals involving a considerable range of discounts in relation to a wide range of quantities. There appears to have been a major point of difference between Johns-Manville, whose proposal involved a difference in price for carload purchases, and other manufacturers who proposed one price in any quantity with a scale of quantity rebates. On the second day of the November meeting Johns-Manville apparently indicated their position with respect to one type of Plan. A schedule setting out the details has this note: "Minor alterations in this might be acceptable and would be considered by them" (ARA-85-2). The minutes record that other manufacturers needed time for consideration of a Plan similar to that proposed and the meeting was adjourned. The next meeting was held on December 7-8, 1937. The minutes of the second day of the meeting record:

- "15. The day was spent in a complete discussion of various Merchandising Plans for 1938 and the ramifications thereof. (Attached to these Minutes will be found summarized many of the various alternatives offering themselves)."

(ARA-86-3)

The minutes and attachments set out various scales of discounts and rebates and indicate that Johns-Manville continued to hold a somewhat different position from the other manufacturers. Paragraph 17 of the minutes then states:

"17. Due to the difficulty of establishing any common ground at this time the discussion on the 1938 Merchandising Plan then terminated."

(ARA-86-4)

As already indicated the minutes in 1938 do not record particulars of the discussion on the Merchandising Plan. A meeting was held on January 6-7, 1938. The following paragraphs of the minutes indicate discussion on Merchandising Plans:

"2. A general discussion took place covering merchandising principles in detail."

"13. Mention was made by all manufacturers of the principles underlying their own individual merchandising Plans for 1938, including Winter Booking Plans."

(ARA-87, 87-3)

Attached to these minutes and dated January 7, 1938, is a schedule setting out discounts and rebates for the 1938 Merchandising Plan and Winter Booking Plan. This was a Merchandising Plan for the industry which had eventually been arrived at by further discussion. The procedure followed during the period when he was Secretary of the Association was described as follows by Mr. Walker in his brief to the Commission:

"The plan, together with amendments thereto, was compiled following instructions from The Group, and under direction of the Merchandising Plan Committee, and was issued from the secretary's office to the various manufacturers."

(Transcript, p. 2132)

By "The Group" Mr. Walker meant the industry or Association.

The evidence of changes in pricing policies in recent years, in the opinion of the Commission, must be taken to establish that the maintenance of common price and merchandising conditions was a matter of general understanding among the members of the Association. The fact that there were departures from the common basis in some instances does not point to the absence of an understanding when placed against the weight of evidence showing the general observance of a common policy and the attitude of regarding individual variations as "deviations" or "infractions".

The many instances of common action on the part of manufacturers in recent years gives strong support to the conclusion

that the persistence of common practices in merchandising has been the result of arrangement among the manufacturers.

It was strongly urged upon the Commission that the Merchandising Plan with its related features was a compilation of the most advantageous terms offered by any manufacturer with respect to each particular aspect whether by way of nature of product, terms or conditions of sale or cost of shipping. The argument was put in this way by Mr. Forget during his submission:

"Now, the record seems also to be clear on this point, that the Merchandising Plan that came out of the Association office was a compilation of what has been termed the low man's position on each particular feature of merchandising. If a company were the low man and is giving the most to a dealer on a certain subject or in a certain respect, that company would call the tune and the announcement of that company or the policy of that company would be part of the plan.

In another respect of merchandising, perhaps in connection with another product, that same company might find itself the high man and would have to come down to the level of the low man who was announcing his policy.

We find that in the evidence and that is why I cannot admit in general that the Merchandising Plan is the result of agreement. The result was, of course, that the Merchandising Plan never suited anybody 100 per cent because no company was the low man on everything. Some companies were low on certain items and high on others and had to come down to the announced position of the low man in respect of those particular items."

(Transcript, pp. 2788-2789)

In view of the evidence as to discussions preceding changes in the Merchandising Plan and the objective, recognized by all members of the Association, of securing a Plan which would be accepted by all, the Commission feels that such an argument does not take sufficient account of the element of compromise which necessarily enters into the acceptance of an arrangement common to all. The view of J. M. Young, expressed in 1950 when he was a senior official of Barrett, that the Merchandising Plan is "a summarization of compromise" (BCL-48-2) emphasizes this element. The Merchandising Plan, as employed in the asphalt roofing industry, comes to bear on so many aspects of distribution that quantitative appraisal of the effect of any one provision could not be made in isolation. In fact, it would be difficult, if not impossible, to measure some conditions or changes which might be or have been made in them in terms of price alone. The evidence of the extended discussions which have been held when

significant changes have been made indicates, to some extent, the inter-related elements which go to make up the Merchandising Plan and serves to confirm the conclusion that the settlement of a Plan has not been regarded as the bringing together of separate declarations on individual provisions of the Plan but the working out of a common arrangement.

There can be no question that the systems of quantity rebates which have been employed in the inquiry constituted arrangements among the members of the Association. The fact that these systems of rebates involved identical discounts on the part of all manufacturers clearly was accepted as part of the arrangements and, as such, changes and modifications in them were preceded by discussion and acceptance.

The changes which have been made in the systems of providing for transportation charges have been worked out, in recent years, in a way which can only be regarded as part of a continuing arrangement to have a common policy in regard to such matters. It will be recalled that most recent changes have been in the direction of reducing the amount of transportation charges which was borne generally by the manufacturers and thus in effect to increase prices, either generally to take account of increased charges by transportation companies or with respect to shipments from particular points. In this connection there was the general revision in equalization points which took effect at the beginning of 1952, the recommendations for which had been prepared by a committee of the Association.

The extension of the Merchandising Plan to Newfoundland in 1949 by all manufacturers interested in that province is further evidence of the efforts of the members of the Association to maintain common arrangements in the distribution of their products in all parts of Canada.

The successive steps which were taken in District #4 from 1948 on to reduce and eventually to eliminate certain rebates are not consistent with a theory of accepting the "low man's" position, but do fit into a policy of arriving at merchandising policies by arrangement.

The evidence which has been reviewed in earlier chapters of this report contains many other instances of common action which are only consistent with arrangements among manufacturers to maintain a system of merchandising which would result in common prices and conditions of sale throughout the industry.

That, from the evidence of many witnesses who appeared during the inquiry, the maintenance of such a common policy over a very lengthy period was not regarded by the participants as an agreement or arrangement affecting competition to a substantial degree

in the industry, warrants examination. A principal point which was expressed or implied in the evidence of all witnesses connected with the industry and which was stressed in the argument of counsel for the manufacturers was that each manufacturer felt at all times that he had freedom of choice to continue the common practices of the industry or to establish an individual policy. In fact, of course, common practices were followed with rare exception throughout the period for which evidence is available. The absence of a commitment for a definite period does not preclude the existence of an arrangement. It was freely admitted by witnesses that an understanding existed among manufacturers that each would observe his published prices and conditions of sale until he declared a change. This understanding is exhibited in the following portion of the evidence of L. F. Long of Building Products:

- "Q. Does that indicate, Mr. Long, that you had an understanding with the manufacturers that on tenders to the government you would quote according to your published prices?
- A. Not only on government business; that was in general our understanding, that we were using our published prices and plan until we changed them."

(Transcript, p. 245)

In view of the evidence of the manner in which the common prices and conditions of sale were arrived at, an understanding to observe such arrangements until notice was given that some other course would be followed, could be as effective as an agreement involving a fixed period of time. The fact that arrangements of the kind described in this report have been maintained in the asphalt roofing industry through times of wide fluctuations in industrial activity gives added support to this conclusion.

While there was denial on behalf of the manufacturers of agreement on any aspect of the common pricing arrangements followed in the industry, effort was made to draw distinctions among the various elements which are involved in the purchase price paid by the buyer: that is to say between what might be termed the base price of the manufacturer and cost of transportation, cost to various types or classifications of buyers, cost for cash or on account, cost depending on scale of quantity rebate and so on. In the opinion of the Commission such distinctions cannot validly be made in considering the effect on competition of common pricing practices. It is evident that in the asphalt roofing industry all elements in merchandising arrangements are closely inter-related and cannot be regarded in isolation. Even if on occasion one manufacturer made an individual decision as to the base price of a particular product but it was understood that all other aspects of merchandising policy remained common in arrangement, it could scarcely be said that the action on one element alone in the pricing

procedure was entirely independent. It would be influenced and conditioned by the common pattern into which it would have to be fitted.

Another facet of the argument that each manufacturer had freedom of choice and was under no obligation to continue to observe common pricing practices was that the manufacturer who was prepared to set the lowest price in terms of base price, largest discount, minimum quantity for rebate, etc. could not be prevented from pursuing an independent course. In the first place, in any negotiations one or more parties may have better bargaining positions than others, but this does not mean that a common policy is not arrived at by agreement or arrangement. In negotiations there may be one or more points which may be insisted on by one party or another and such points will have to be accepted if an agreement is reached. But the fact that an arrangement is made in this way rather than by "agreeing to agree" in advance does not make it any less an arrangement of an effective kind. Secondly, it is necessary to consider the actual way in which common practices have been maintained in the asphalt roofing industry over the years. It is the opinion of the Commission that it has been the objective of all members of the Association to have a common policy on all aspects of merchandising in Canada and that negotiations were carried on, sometimes at very considerable length, to obtain this result.

That the outcome of discussions among members of the Association was generally a common policy was admitted on behalf of the manufacturers, although it was denied that this was the result of an arrangement. In his summary of the practices followed in the industry Mr. Forget said:

"The open pricing policy, the open merchandising policy went along with the practice of the manufacturers to discuss their problems and particularly all problems that affected themselves or the industry, and they could exchange views on merchandising and pricing; and out of those meetings came certain policy and price decisions, price declarations by one company or another. But I wish to stress that these decisions and declarations were entirely the individual company's own. We have seen in many cases - - again I will mention the Johns-Manville case, because to me it clinches the point completely, it has been so flagrant -- we have seen these examples where a declaration was made unilaterally, as they were always made, on individual policy. In most cases, of course they were followed. The man making the declaration hoped the others would follow, and he knew they would probably follow because he had heard the discussion that preceded his declaration and had some inkling as to the thinking of others.

I do not need to point out that similarity of prices, which was not always achieved, and similarity of terms of sale, which likewise was not always achieved, do not necessarily imply

agreement, but parallelism of action is often one of the results of strong, informed and open competition."

(Transcript, pp. 3038-3039)

The reference to Johns-Manville in the above quotation, as will be recalled from the evidence reviewed in an earlier chapter, is to the instance at the beginning of 1948 when Johns-Manville made a general increase in prices while other manufacturers increased prices on certain lines only. It is the view of the Commission that the action of Johns-Manville on this occasion tends to establish the fact of expectation that there would be no differences in the prices of individual manufacturers rather than to demonstrate that there was expectation that a manufacturer would make a change in merchandising practice independently. It is pointed out in the Statement of Evidence, and no evidence was tendered to show the contrary, that this is the only instance in which a manufacturer proceeded independently to make a general increase in prices. It is also the case that when Johns-Manville found that its general increase in prices was not followed by other manufacturers it did not revert to the then price level of the market. The fact that it did not do so is clearly out of keeping with the principle frequently suggested by witnesses that an upward price move by one manufacturer which did not become general would have to be abandoned. This principle is referred to in the following extract from the evidence of G. D. Schroeder of Barrett, which was cited by Mr. Forget:

" . . . If we were contemplating an increase in price we would perhaps throw up a trial balloon at a meeting or with individuals, and test the feeling. We would not do it unless we felt definitely that a price increase was necessary, based on costs and so on. Depending to some degree on the attitude that we would read into the other individuals, we would move. Now, if the rest did not move, we would be back where we started from, because we would have to go back to our old price set-up."

(Transcript, p. 383)

The price advance by Johns-Manville was made in January, 1948, and general increases by other manufacturers were not made until the end of February or in March, 1948. It seems logical to assume that Johns-Manville adopted the policy of not reverting to the price level of the market because of its reliance upon the resumption of a common basis of prices at the level which it had adopted.

In the case of three manufacturers some oral evidence was given in regard to commissions, allowances or rebates which were not set out in the published price lists or merchandising plans of the companies. In the case of one company the Statement of Evidence indicates that as the rebates were not reported in the return of

information made by the company they have presumably been introduced since 1952. An examination of the oral evidence in each case discloses that the special concessions have been of very limited application and, consequently, do not appear to have affected in any noticeable way the common practices of the industry. In each case the special concessions were not disclosed to other members of the Association.

CHAPTER IX

THE EFFECTS OF THE ARRANGEMENTS AND PRACTICES

The general effect of the arrangements and practices described in previous chapters of this report is obvious from the evidence which has been cited. In substantial degree, the effect has been to maintain uniform prices, terms and conditions of sale for the products of the asphalt roofing industry regardless of the source of such products in Canada. The Commission has no doubt that this has been the objective of members of the Association. Although the objective may not have been fully realized at all times and on all occasions, the arrangements and practices operated sufficiently effectively that there was no attempt by any manufacturer to withdraw from them until after an inquiry had been commenced.

It was strongly argued on behalf of the manufacturers that there has been no lessening of competition in any essential way in the asphalt roofing industry and that, in any event, there has been no lessening of competition in any way detrimental to the public interest. Before considering the arguments advanced in relation to the different aspects of the practices it may be helpful to consider in a general way, the practices which have been the subject of this inquiry.

It is sometimes the case that matters which have been conducted in a certain way for a considerable period of time tend to be regarded as customary and are not subject to continued review and criticism. In the Commission's view, the practices which have prevailed in the asphalt roofing industry have had the effect of preventing and lessening competition in essential aspects from the viewpoint of the public interest. The fact that these practices have been engaged in for lengthy periods appears to have led the manufacturers to minimize in their attitudes their real significance. This becomes readily apparent when one considers the extent to which the maintenance of common policies has been carried and relates this to the conduct of a competitive business. If, for example, it had been the case that before any one manufacturer added a new machine, increased the speed at which existing machines were being operated or made some change in manufacturing processes, he had advised his competitors of his intentions, then discussed all aspects with them before deciding to act, it would be immediately recognized that individual business policy was being determined in a manner which departed greatly from the reaching of decisions under the spur of competition. However, possibly because the development of common practices had its origin in selling rather than

in production problems, the departure from competitive principles seems to be less clearly perceived. If, for example, one manufacturer, before deciding whether to add another salesman to his staff, were to advise his competitors of his intention and then discuss with them whether this was a desirable course, there would seem little question that competitive activity was being seriously modified. Yet there is no real distinction, in its effect, between such conduct and that which has been shown by asphalt roofing manufacturers who discuss together whether one or the other will have a warehouse at a particular point and reach a common decision to close certain warehouses. The foregoing illustrations are not given as a measure of the effect of practices in the asphalt roofing industry; they are merely intended to indicate how practices which greatly modify competitive behaviour become so established as to cease to be regarded as restrictive by those who engage in them.

In the course of argument representations were made on behalf of the manufacturers as to the effect of particular practices followed by members of the Association. We may begin, therefore, by considering the principal arguments advanced on each subject.

Standardization of Products. It was stated on behalf of the manufacturers that "it was and still is the custom or practice of the manufacturers to announce their new lines before or after they have put them in" (Transcript, p. 2946). Counsel went on to point out that in the latter case an announcement would have little significance because each company's salesmen would know at once when a new shingle, for example, became available to the trade. The expectation must have been, therefore, that new lines would be announced before they were put on the market. The purpose of such announcement, it was said, was to enable any other manufacturer to make the same product and so compete with the innovator. It was not shown how this advance matching of products was to benefit to the public. In fact, the experience of other industries where each manufacturer strives on his own to produce a product which will find the greatest public acceptance indicates that the public will be under a disadvantage when such rivalry is eliminated. It could not be expected that a manufacturer would strive as hard to take the initiative with respect to products when each new idea would be shared with competitors before the product came on the market.

The elimination of certain products in the circumstances shown by the evidence reviewed previously, was discussed at some length during argument and it was contended that other products had been dropped by individual manufacturers without discussion with competitors. It is, of course, to be expected that when a manufacturer finds it unprofitable to produce certain lines, or more profitable to produce some lines than others, he will, in the ordinary course of business, select those which are most advantageous for him. In a competitive business it would seem obvious that decisions of this kind

would be made independently by management of the individual company. Instances of this kind, therefore, do not throw light on those cases of elimination of products which were preceded by discussion among competitors. In connection with these instances, Mr. Forget said at one point in his argument:

"Now, that the elimination of these lines was discussed at the meetings is perfectly true, but in all cases the evidence shows that there were good and sound reasons for the elimination. As I say, there are only three or four products mentioned. One of them came back in later. It is a matter where the de minimus rule can be applied, I think, especially when one considers the sound reasons which were advanced for the elimination of these particular products."

(Transcript, p. 2978)

It will be recalled that the four products in point were 12" starter strip, 35 lb. smooth roofing, 60 lb. mineral surfaced roofing and 65 lb. smooth roofing. Subsequently the 60 lb. mineral surfaced roofing was again produced by some manufacturers, at least, so it was obvious that a market existed for this product and whatever reasons were advanced for its elimination could not be sustained. In the case of the 12" starter strip it was contended that the manufacture of this product complicated production and storage problems. In the case of 35 lb. smooth roofing it was stated that there was no apparent demand and, in any case, the product provided a poor roofing material which would have a very temporary use. The contention that there was no market for 35 lb. smooth roofing does not accord with the actions of several companies, after the decision was taken to discontinue production, in checking with other companies about reports that the product was being offered to the public by some dealers. If there was no market of any significance for 35 lb. smooth roofing there would have been no occasion for this concern. No clear reasons were given for the elimination of 65 lb. smooth roofing and it will be recalled from the review of the evidence that, prior to the meeting at which the elimination of production was announced, an official of Bishop stated he was not in agreement with the proposal as it was "one of our best paying lines from a production standpoint" (BAP-27-4). As to the quality of smooth roofing the following comment in a paper discussing the products of the industry is significant:

". . . Quality of smooth roll roofings in the 55 lb. and 65 lb. weights may be even better than any 90 lb. mineral surfaced roofing because the roofing felt on which the roofing is made, is just as heavy - often heavier.

Smooth surfaced roofings are cheaper than mineral surfaced rolls. They are generally employed on buildings other than residences.

where color and appearance are unimportant. They have the advantage that their smooth surface may be re-coated with liquid asphalt at intervals to prolong their life. Such re-coating has often resulted in a useful life of over twenty five years."

(CGC-19-6)

The following note in the June, 1948, price list of Brantford, under the heading "New Products Available", is also of interest in regard to 65 lb. roofing:

"This super-fine quality roll is again available after being removed during wartime period. Particularly recommended for use in valleys and other points where a super grade, long-lasting product is required."

It may also be recalled that before the common specifications for selva edge roofing were adopted in the industry in 1951 there were two weights of material, 110 lb. and 125 lb. When a standard specification was made effective at the beginning of 1952 a weight of 120 lb. was adopted but it was priced on the basis that had previously applied for a weight of 125 lb. In other words, there was an increase in price on the basis of weight of material.

While the instances of elimination of products following discussion among the manufacturers are few in number they indicate an understanding to withhold from the public useful products or those of relatively low cost in the apparent expectation that something which would provide a better return to the manufacturer would be purchased. The fact that in one case there were prospective buyers in a position to secure the re-introduction of a product does not change the situation in so far as the practice of the manufacturers is concerned. The public is clearly at a disadvantage when a common policy of this kind can be followed by manufacturers and even if the occasions on which the practice works restrictively are relatively infrequent the danger to the public interest is a constant one.

There is a possible further disadvantage to the public which may arise out of a common practice among manufacturers to attempt to reach an understanding on products which each will not produce. In some cases the demand for a particular product may be insufficient to justify its production by a number of manufacturers, but it might be worthwhile for one manufacturer to undertake or to maintain its production. The effect of reaching common understanding as to products to be produced might, therefore, deprive the public of some product which would be produced if the decision were made entirely independently.

The establishment of minimum standards of quality as a guide to purchasers of roofing materials and as a protection against the purchase of materials unsuitable for a particular purpose was referred

to as an advantage to the public in the representations made on behalf of the manufacturers. It was also argued that the production of standard lines might enable savings to be made in manufacturing costs, Mr. Forget's argument on these points was, in part, as follows:

"... The establishment of minimum specifications under government sponsorship or the sponsorship of such an institution as the Canadian Standards Association is an effective way of promoting good roofing for the home owner. It makes it more difficult for substandard materials to be sold without being immediately recognized as such by dealers, architects, contractors, home owners and so forth. Thus it can be said generally that the public benefits from a standardization of this kind.

But it benefits the public in another way. I think it benefits the public price-wise. If manufacturers make a series of standard products instead of a multitude of non standard varieties, the machines will be kept busy without change for longer periods of time, and this decreases costs resulting in lower prices."

(Transcript, pp. 2960-2961)

The instances of elimination of lines which are referred to earlier in this section, except perhaps in the case of the selvage edge roofing, were not related to the establishment of minimum standards by any public or publicly-supported agency. Even in those cases where minimum standards are made for the protection of the public there may be occasions when a buyer will require a product which may not have all the qualities of a standard article but which will perform the function desired by the purchaser at a lower cost. One of the great advantages of a standard is that it enables the purchaser to make an intelligent selection of an article for a desired use. If the standard products are most useful for the great majority of purposes and if they are sold on a competitive basis then the public could expect to benefit from the mass production of such articles.

Built-Up Roofing Specifications. The argument of Mr. Forget in regard to minimum specifications was directed more particularly to the question of the basis on which minimum specifications for built-up roofs had been established by members of the Association. It will be recalled that acceptance of common minimum specifications for built-up roofs by eastern and western manufacturers was secured during 1938 and 1939. These minimum specifications related to types of roof which manufacturers would bond. The action of the manufacturers in setting up common minimum specifications was described in argument by Mr. Forget as follows:

". . .As I mentioned a little while ago, the asphalt manufacturers are the only people who bond their product for 20 years. Obviously, they need some specifications below which they will not bond, and obviously each manufacturer is very much interested in what the other is doing, because if the others are bonding roofs that will not stand up, he stands to lose and the industry goes into disrepute, and people go to wood shingles, metal roofs and other things. The establishment of these minimum standards was an essential part of this bonding program which the industry has set forth for the benefit of the home owners."

(Transcript, p. 3065)

It may be assumed that counsel had in mind more the owners of industrial, commercial or apartment buildings rather than the owners of private homes because there are relatively few of the latter on which bonded roofs are placed. One of the general principles set out in the Merchandising Plan is that a guarantee will not be given for asphalt shingles or roll roofing. In the Plan for Districts #1 and #2, this provision reads as follows:

"7. We will not issue Time Guarantees on Group A and/or B Products."

In the case of built-up roofs the offering or non-offering of a guarantee becomes a feature in the end product secured by the property owner. If all manufacturers have common prices for their products and if all have similar minimum specifications for various types of bonded roofs then a buyer seeking a bonded roof at the lowest cost would find all manufacturers offering the same terms. If the minimum specifications were set higher than those for which an individual manufacturer would be prepared to give a bond under competitive conditions, then the buyer would be deprived of a product and service which might be satisfactory to him in view of the responsibility of a manufacturer under the conditions of his bond. The evidence disclosed that at least one type of roof, the cap sheet roof, was removed from the bonded class under the minimum specifications accepted by the manufacturers. Mr. Forget, in his argument, cited the following portions of the evidence of A. H. Marden, formerly of Murray, as indicative of the quality of cap sheet roofs:

". . .I know that Cap Sheet Roofs were not very satisfactory roofs at the time. I remember that."

(Transcript, p. 949)

"A. . . .I cannot remember the details other than the fact, as I state again, that these roofs were not satisfactory

roofs. They did not stand up. I do not think our company -- I am not sure of this -- bonded that type of roof. I do not think we would. If Sidney and some of these other companies -- I cannot remember now if they were giving a ten or fifteen year bond on that type of roof, they certainly were not doing themselves any good. It was a bad error in judgment, I would say.

Q. Nor were they doing the industry any good?

A. They were not doing the industry any good. Our good will was being injured."

(Transcript, p. 953)

It is somewhat difficult to see how the goodwill of other manufacturers would be injured because one company was prepared to guarantee a roof which others thought would not prove satisfactory. The manufacturers concerned were all well established and each would have regard for the reputation of his own products and his responsibility for the roofs which he guaranteed. If such a roof failed to give satisfactory service the manufacturer responsible would suffer whatever disadvantage might arise from this cause but it would hardly seem that this would be the concern of the entire industry. If no guarantee had been given there would seem a greater possibility that failure of a roof might be more likely to reflect on the products as a class. Another aspect raised in the Statement of Evidence in regard to built-up roof specifications is the question whether minimum cost of materials was a determining factor. It seems impossible to derive any other meaning from the documents relating to the acceptance by Sidney of the minimum specifications for built-up roofs. There are several references to price or cost in the communications from the Association Secretary to Sidney when concurrence of the latter was being sought. In a letter of June 11, 1938, the Secretary wrote:

"...The weight is not the deciding factor or even a major one, it is the total price for similar materials."

(ARA-205-22-35)

In concluding this letter the Secretary said:

"May I repeat once more that these are minimums only, below which no firm will grant a bond. All firms have very much more elaborate specifications at higher prices."

Support for the view that price has been a factor in the minimum specifications adopted by members of the Association is found in the manner in which the specifications for selvage edge roofing were established in 1951. Barrett included the bonding

charge in the price of materials for this class of roof while other manufacturers added this as a separate item. In order that the cost by both methods of pricing would be the same, Barrett increased the price of its special steep asphalt (BCL-54). A document from the files of Johns-Manville stated:

" . . . Comparison of bonded specifications discloses almost identical material costs per square in the two methods."

(CJM-18)

It was argued on behalf of the manufacturers that the attempts made by the manufacturers to secure a modification of the bonding requirements in the case of government structures in northern territories were intended to benefit both themselves and the government. It was suggested that if the government insisted on having roofs in such areas bonded, some manufacturers might be unwilling to tender on such contracts because of the great expense that might be involved in inspection or repair in remote areas. In the opinion of the Commission, however, the discussions among the members of the Association in regard to modification of the conditions on which bonds would be provided for roofs constructed in northern territories were intended to secure a common understanding among themselves that less favourable terms would be offered to the government than would be available under competitive tendering. The situation that such a practice was not established and that some manufacturers still offer bonds while others do not, does not take away the likelihood of detrimental effects resulting from efforts directed in such a way.

The Commission believes that as part of the general pattern of uniform merchandising policy which has been sought by members of the Association the practice of establishing minimum specifications so that no type of bonded roof may be secured at lower cost from one manufacturer than from another has been disadvantageous to the public.

Policy of Open Pricing. The practice of each manufacturer in openly announcing his prices and terms of sale and, in fact all other aspects of merchandising, was held, on behalf of the manufacturers, to be the principal factor in enabling common prices and conditions of sale to be adopted readily by all with assurance that all prices and terms so announced would actually be in effect. Mr. Forget contended, on behalf of his clients, that this practice had a number of economic advantages which may be re-stated as follows:

1. Open pricing enables a manufacturer to know at all times what prices are being offered by competitors.

"In any business where openly announced prices are in effect, a manufacturer would know at all times what his competitors

are offering a particular dealer and know where and to the extent he has to meet that competition.

He can rely upon the published prices of his competitors. He can check any statement that a dealer gives him about special secret discounts or special prices that he is getting from somebody else. He can check them directly by looking at the price list of the other manufacturer or calling him up and finding out what his price is."

(Transcript, pp. 2740-2741)

Mr. Forget went on to point out that such a policy would be effective in avoiding secret prices or secret discounts if reliance could be placed on the announcements of each manufacturer. He thought that in the asphalt roofing industry such reliance could be placed by each manufacturer on the others.

2. Open pricing removes a temptation from the manufacturer to give secret prices to some customers and not to others. Secret pricing, on the other hand, if given on a discriminatory basis, might put favoured customers in a position of advantage which they could use to build up a monopoly.

Open pricing gives a widespread knowledge of market conditions and this, it was argued, is essential for intelligent competitive activity.

3. Open pricing prevents special advantages being secured by less scrupulous buyers which would be at the expense of buyers who could not extract special prices. The latter would have to pay higher prices than would be the case if there were no secret concessions.

4. Open pricing not only avoids the creation of conditions leading to monopoly among buyers but also among suppliers.

"Also the system of secret pricing provides a fine climate for the development of monopoly among manufacturers because a large manufacturer, assuming -- which is not always the case -- his costs are lower because they are spread over a larger production, would be in position by under-cutting the others to affect their business very considerably. It becomes a secret price war and in a price war the little fellows are gobbled up and eventually you develop a monopoly."

(Transcript, pp. 2746-2747)

5. Open pricing is extremely consonant with Section 498A (Section 412 of the revised Criminal Code) which forbids certain forms

of price discrimination.

In reply to a question whether a system of open pricing required prior discussion among the manufacturers, Mr. Forget submitted:

"An open pricing policy could be practised in theory without discussion; that is correct. But they had the advantage of the discussion in the way that I have indicated, that they would not inadvertently price themselves out of the market. They had the feeling of the meeting that the move that they intended to make would to some extent in all probability be followed by their competitors. There are added advantages to the system as they practised it. Of course it did not always work, but they tried to make it work."

(Transcript, p. 2751)

It will be noted that in essence the advantages which the manufacturers find in the policy of open pricing are that the prices and terms of sale which are announced will be adhered to and that no changes will be made in them without competitors being informed of the details of such changes. In this inquiry it is not possible to consider what results might have been produced by a policy of open pricing followed independently and without consultation among competitors because the evidence makes clear that, except on infrequent occasions, every change in the Merchandising Plan was a matter of discussion and negotiation so that in the end common action could be taken by individual manufacturers. The fact that the manufacturers found one of the chief advantages in the assurance that, by and large, there would be no unannounced departures from the common method of merchandising serves to emphasize this point.

In the circumstances shown to exist in the asphalt roofing industry the advantages seen by the manufacturers in the system of open pricing are clearly related to the objective of maintaining uniformity of pricing and the avoidance of conditions which would lead to prices being determined in the open market rather than after consultation and discussion. This cannot, in the opinion of the Commission, be held to be an advantage to the public. It also appears to the Commission that many of the situations which, it was contended, the policy of open pricing avoids, are made potentially more significant by the efforts of the manufacturers to have a common system of pricing followed by all suppliers in all circumstances. In his argument on behalf of the manufacturers, Mr. Forget said:

"If a manufacturer declares that he will price according to his published prices and terms of sale, until he changes

them publicly and assuming we can rely on his word, it means that the other manufacturers will know that a certain dealer in a certain category is getting from that particular manufacturer such a price and such a discount."

(Transcript, p. 2741)

The attitude of the manufacturers is clearly illustrated in this submission, that there should be the same price and same discount to a dealer in a certain category. If, on the other hand, the manufacturer was determining his price and discount on the basis of the nature of the orders which that particular manufacturer obtained from a dealer, the opportunity for a dealer to employ deception as to the volume of his purchases would be absent. This raises a question whether the practice followed by the manufacturers has been, in fact, entirely consonant with the spirit of what was formerly Section 498A. The section is directed against discriminatory price concessions in the sale of goods of like quality and quantity. The quantity rebate system of the asphalt roofing manufacturers has been based on total purchases from all manufacturers and not on the quantity purchased by an individual merchant from an individual manufacturer. It seems clear that Section 498A was intended to enable whatever savings might be secured by buying in larger quantities from a single supplier to be passed on by the manufacturer. The cumulative rebate system evolved by the asphalt roofing manufacturers, by grouping purchases from a number of suppliers, does not enable savings in buying to be related directly to the price paid and may, in fact, put the merchant who buys in substantial quantities from a single supplier at a disadvantage in comparison with a merchant who divides his purchases among a number of suppliers.

The argument that the policy of open pricing followed in the asphalt roofing industry is a safeguard against monopoly situations arising in the case of manufacturers and distributors and, therefore, is an advantage from the viewpoint of the public interest appears to be based on remote possibilities, whereas the effects of the practices in terms of day-to-day pricing behaviour are the actual consequences which the public experiences. It was suggested on behalf of the manufacturers that secret price-cutting on the part of manufacturers might lead to a price war among themselves and the elimination of those with least financial resources, and might also favour individual distributors who would gradually acquire monopoly positions. It is obvious that if there is a number of suppliers no tendency toward concentration of business on the part of distributors is likely to advance to any extent without all suppliers being aware of the development. As a single distributor, in order to be able to exert real bargaining power with suppliers, would have to be in a position to give very large orders which would mean he would have to confine his business to one or two suppliers, those manufacturers not getting

the bulk of the distributor's business would undoubtedly seek to encourage other outlets in order to hold their share of the market and thus the tendency toward monopoly would be offset. In the same way, secret price-cutting by a single manufacturer, which would have any tendency to create a monopoly, would cease to be secret and the actual situation would be one of active price competition in the market. It is the avoidance of the latter which, in the opinion of the Commission, is the chief advantage which manufacturers find in the adherence to publicly announced prices and conditions of sale. In the view of one witness, F. Bromley of Johns-Manville, in the asphalt roofing industry "Competition consists in deviation from your own printed price schedule" (Transcript, p. 1714). The conclusion seems unavoidable that the objective of the Association activity was to reduce such deviations to a minimum.

During the course of his argument Mr. Forget referred to the situation which developed in the industry after Canadian Gypsum withdrew, at the beginning of 1949, from the Association arrangements for reporting purchases. He described this as a "return in respect to quantity rebates to the jungle warfare of the old days" when a manufacturer could not tell whether a dealer was exaggerating or not in an effort to get a larger discount than his purchases would entitle him to under the Merchandising Plan. It is clear, of course, that the common terms of sale based on industry-wide purchases created the opportunity for claims of this kind. It is significant to note, however, that in the report which Canadian Gypsum made to its parent company and which was cited by Mr. Forget, reference was not made to special advantages being secured by certain customers but to "lower price levels". The quotation is as follows:

" . . . Our independent policy of quantity discounts on a competitive basis forces others to guess our volume and tends to lower price levels as the season progresses.

. . . "

(CGC-16-1-3)

In recent years Professor J. K. Galbraith of Harvard University has developed an analysis of market situations in which stress is put upon the existence of "countervailing power".⁽¹⁾ It is Professor Galbraith's view that in a market characterized by fewness of sellers there is a tendency for "countervailing power" to develop through the existence of large customers or organized groups, such as labour unions. The bargaining position of such

(1)

J. K. Galbraith, *American Capitalism: The Concept of Countervailing Power* (Boston, 1952).

buyers or groups tends to offset the ability of large sellers to administer prices. While we do not consider it necessary to express any opinion on the conclusions which may be based on the concept of countervailing power, it may be noted that Professor Galbraith and others who share his views believe that the position from the viewpoint of the public is better where these forces operate on both sides of the market than when there is control on one side alone. At one point Professor Galbraith writes:

"When there is more than one firm in a market there are opportunities for playing one off against the other."

The practices followed in the asphalt roofing industry and the arguments which were made in their defence point to the fact that one of the advantages seen in them is that buyers will be unable to play off one manufacturer against the other. This policy is exhibited, in one way, in the provision in the Merchandising Plan relating to private brands which reads as follows in the Plan for Districts #1 and #2:

"8. The use of private brands and alternative finishes will not be encouraged, but if employed they will correspond to the grades and prices for the standards shown above."

Freight Equalization Plan. The evidence makes clear that the arrangements for establishing transportation charges in the asphalt roofing industry, summarily referred to as the Freight Plan, have been regarded as an integral part of the Merchandising Plan and that the charges, themselves, have been regarded as an element in the basic price structure itself. For this reason the Commission feels that the real effect of the freight plan is disregarded in the argument advanced on behalf of the manufacturers that common terms of sale and freight charges merely facilitate comparison of prices by the prospective purchaser. In presenting this argument Mr. Forget said:

"The opportunity for full competition remains, and this may be the proper time to point out that common merchandising terms, including freight rates whether agreed to or not, are beneficial not only to the manufacturers but also to the dealers and consumers in general. With common terms of sale and delivery used by all, price becomes the significant thing. A dealer confronted with a multiplicity of prices from various manufacturers knows at once that the lowest of these prices means that his laid-down cost will be lower."

(Transcript, p. 2923)

Mr. Forget went on to say that if manufacturers offered different terms of sale or of delivery the purchaser would have to study each quotation

very carefully to see whether in the final result there was a significant difference in the final cost to him.

It was admitted that ordinarily the purchaser of asphalt roofing products had common prices from the industry although it was argued that there were instances when prices differed. The evidence, in the Commission's view, shows that it was the exception when prices among manufacturers differed for standard products so that the purchaser of asphalt roofing products in making a decision has not had to take into account possible differences in laid down cost. It cannot be seriously argued that practices and arrangements which substantially lessen competition in an industry or trade are of advantage to the public because they facilitate the comparison of prices and relieve a prospective purchaser of some effort in calculating the net effect of alternative quotations.

It was pointed out by Mr. Forget that the system of freight equalization used in the asphalt roofing industry, as well as the basing point system, have been borrowed from the United States. In that country such practices have been the subjects of a number of extensive inquiries, and it may be of value to consider some conclusions which have been reached in some circumstances which have elements of similarity to those in the present case.

Following an investigation by the Federal Trade Commission of the U.S. Maltsters Association, the findings of the Commission were reviewed by the Circuit Court of Appeals for the Seventh Circuit from whose judgment the following is taken:

"In this connection, the Commission found that uniformity of delivered price was achieved by the members through the use of Chicago, Illinois as a common basing point, that is, as the point from which the freight was calculated, irrespective of the fact that the malting plants of most of the members were not located in Chicago but were located at various other points in the United States and had different freight rates to given destinations. Petitioners devote considerable effort in attempting to show that they did not use a basing point price system. This follows, so it is argued, because the Chicago base is used merely in the reporting price in contrast to the selling or delivered price. This contention, so we think, is the counterpart of attempting to demolish a self created straw man. We find no occasion to discuss the basing point price system as it is generally understood or the effect which it has upon the price structure. Neither is it necessary to discuss in any detail the freight rate system employed by petitioners. The incontrovertible fact is that this freight rate system enabled them to deliver malt at any given destination at exactly the same price. We think it is immaterial what label

CORRECTION

Pages 255 and 256 are transposed
for pages 253 and 254. Please
read in the following order:
252, 255, 256, 253, 254, 257.



"The manufacturers absorb some freight and these absorptions are reflected in prices. Therefore regardless of the freight charge to any one destination all customers contribute something towards the general cost of transporting the manufacturer's goods."

(Transcript, p. 2929)

Mr. Forget went on to say:

"Customers must pay the transportation costs of the goods from the manufacturer's factory to their destination."

(Transcript, p. 2930)

These two propositions do not add up to the same thing from the viewpoint of the user of asphalt roofing. If unnecessary freight costs are incurred or if the charge for freight included in the price is higher than it would be if the goods were being priced for distribution in the most economical manner then the equalization plan would result in consumers as a whole paying more for transportation charges than they otherwise would. The evidence tends to show that this is likely to be the case in view of the practices employed in the asphalt roofing industry.

When manufacturers are in active price competition with each other each manufacturer will check carefully to see whether the sale of his goods in a distant market will give him sufficient return by lowering his overhead costs per unit or in some other way to make it worthwhile absorbing some or all of the cost of shipment. Under the practice in the asphalt roofing industry it is expected that the base price will include some part of the cost of freight equalization, that is shipping goods into some market in which another manufacturer is more advantageously situated by location. The effect of this, as Mr. Forget indicates in the quotation above, is that all consumers pay some part of the freight charges absorbed by the manufacturer. If, for example, the common freight charge to North Bay used by the industry is the actual transportation cost from Toronto to that point, the consumer in North Bay does not pay any less for asphalt roofing because the consumer in Toronto is paying a portion of the transportation bill of the industry. Both the consumer in North Bay and the consumer in Toronto pay more than they would if the transportation charges were based on the most economical distribution of the products of the industry.

The inclusion of costs of freight equalization in the prices of asphalt roofing apparently has been the practice for a very long time. In a discussion of the question of a system of delivered prices in 1933 reference was made to "the sums already being allowed by way

of freight equalization" and included in the prices at that time (BCL-39-4-2). The incident of some Eastern manufacturers shipping shingles to British Columbia in 1947 or 1948 throws some light on the inclusion of the cost of freight equalization in price. It will be recalled that, while the freight rate at that time was stated to be \$1.00 per cwt., two companies added on only 75¢ because 25¢ represented "their Eastern equalization on Montreal."

Increases in rail and truck rates which have been made in the post-war period will have added to the sum for freight equalization included in the price of asphalt roofing. At the time of an increase in railway freight rates in 1949 the Secretary of the Association, in writing to a member company, mentioned this increase along with others and referred to "the possible absorption into equalization points, which could also be considered factory cost" (BAP-32-1). In June, 1950, when Canadian Gypsum sought the approval of its parent company to increase its prices to levels announced by Building Products, the higher cost of freight equalization was one of the reasons given for increasing prices. In addition to mentioning the general effect of higher freight rates, Mr. Gibbs of Canadian Gypsum made specific reference at this time to:

- "3. Higher volume in Quebec equalizing Montreal at \$9.00 per ton reduces our mill nets 10%, average 3%."

(CGC-15-2)

That the factor of freight equalization is of substantial proportions is indicated by the calculation made in 1951 by R. O. Boland of Bishop that the reduction then being made in the number of equalization points for certain products would increase the return to the industry as a whole by some \$250,000 (BAP-18-6).

It is not suggested that in the absence of a policy of common arrangements as to freight equalization, such as has been followed by asphalt roofing manufacturers, individual manufacturers would not absorb freight in selling their products in certain markets and would endeavour to recover such costs in the general returns secured from the sale of goods. In so doing, however, they would meet the active competition of manufacturers more favourably situated with respect to such markets and the amount of freight cost which would be incorporated in the prices of goods would be limited by that factor. Under the practices which have been followed by the asphalt roofing manufacturers the inclusion of the cost of equalization as part of the basic price for the products of the industry has been accepted as an element in the common arrangements and the extent to which prices will be increased to provide for that cost becomes a feature of the matters subject to discussion and negotiation among the members of the Association. In the opinion of the Commission

be attached to such a system. It may be, as claimed by petitioners, that there was at no time included in the delivered price a charge for freight greater than the actual cost of transportation. The converse of that proposition, however, admittedly is not true. We mean by this that where a customer was at a disadvantage freightwise, the maltster from whom such customer purchased his product absorbed such part of the transportation cost as would enable it to make the customer a delivered price exactly the same as if the customer had been more favorably located. We think, as the Commission found, that without the use of this freight system there could have been no uniformity in the delivered prices."

(152 F. (2d) 161 (1945))

The next year the same court gave judgment in similar proceedings involving the Milk and Ice Cream Can Institute. This case involved a freight equalization plan to which the Court referred as follows:

"The Commission found that this plan was maintained for the purpose and with the result that 'the delivered cost of their products was the same, regardless of from whom purchase was made or from which producing point the goods purchased were shipped,' and further that the plan was not used by petitioners 'on a competitive basis when reaching into a competitors's territory, since its use was solely to match competitor's prices,' and that it 'served only to maintain uniformity of delivered prices.' Petitioners do not dispute but that this freight equalization system was used for the express purpose of effecting a uniform delivered price. In one of petitioners' briefs, it is stated:

'As all cans are sold f.o.b. shipping point this equalization permits the manufacturers to submit their product to the prospective purchaser at a net delivery price unfettered by the distance between shipping (point) and that of the nearest competitor.'

This is merely another way of saying that by use of the freight equalization system all manufacturers are enabled to sell at the same delivered price.

It is argued, perhaps correctly, that such a freight system had long been employed by industry so that members thereof might deliver their product at the same price. In fact, the Commission recognizes that this freight equalization plan was used by petitioners prior to the organization of the Institute. Such being the case, the fact still remains that it was employed by petitioners for the purpose of fixing the delivered price

of their product and by such use price competition was eliminated or at any rate seriously impaired. On the face of the situation, it taxes our credulity to believe, as argued, that petitioners employed this system without any agreement or plan among themselves. Any doubt in this respect, however, is removed by reference to the minutes of the Institute and other evidence found in the record."

(152 F (2d) 478 (1946))

It was argued on behalf of the asphalt roofing manufacturers that the freight equalization plan prevented local monopolies and thus benefitted the public by providing alternative sources of supply. In a related argument Mr. Forget said:

"In this case some manufacturers are better situated than others, but there is no evidence whatsoever that the prices are set in such a way for any manufacturer to capitalize on that advantage to the detriment of the public. Besides, Section 498A would prevent that, if any large company tried to drive out competition by lowering its prices unreasonably."

(Transcript, p. 3062)

With respect to the latter point mentioned by Mr. Forget it would not follow that if a manufacturer was able to offer lower prices because of favourable plant location he could be considered as lowering his prices in an unreasonable way. The argument that manufacturers have not capitalized on their better plant locations in a way detrimental to the public appears to construe the public interest in a negative rather than a position manner. If the argument is intended to mean, as appears the case, that some manufacturers have not passed on to the public in the form of lower prices, the advantage of lower costs resulting from better plant location, because this might create greater competition for manufacturers not so favourably situated in relation to particular markets, then it would follow that, not only has the public been detrimentally affected, but to a very serious extent. The argument advanced on this ground on behalf of the manufacturers therefore supports very strongly the allegation made by the Director that the practices followed by members of the Association have caused detriment to the public.

Another consideration raised by argument made on behalf of the manufacturers is the effect of the freight equalization plan in increasing generally the prices of asphalt roofing products. It has already been mentioned that the evidence shows that transportation costs are considered an element in the basic price structure. This aspect was referred to by Mr. Forget as follows:

the determination of transportation charges and prices in this way and the likelihood that the consumer will have to bear in the price paid for asphalt roofing a higher transportation cost than would be the case under more competitive conditions are clearly to the disadvantage of the public.

The argument that the determination of market areas on a basis of active price competition might lead to the more advantageously situated plants securing a monopoly position in local market areas was one which was advanced on several occasions in representations made on behalf of the manufacturers. The factors which would determine the cost advantage of one plant in relation to another with respect to a particular market area would not be limited to the transportation of the finished product alone and as already stated inter-penetration of markets would not necessarily disappear if the practice of common freight equalization was replaced by more independent pricing policies. There is also the question of the nature of the products involved. Mr. Forget referred in his argument to the evidence given by Mr. Cockshutt of Brantford (Transcript, p. 1274) that the products of the various manufacturers in the asphalt roofing industry are as closely alike as is the case with sugar or nails. Mr. Rogers of Murray in comparing the products of his company with those of other manufacturers said in his testimony:

" . . . as far as we are concerned, we think our products are all of identical specification, and are certainly equal in quality and every other way; . . . "

(Transcript, p. 851)

It is also in evidence that in certain cases one manufacturer purchases the products of another manufacturer and sells them under his own brand name. It appears, therefore, that the products of the various manufacturers are so alike in quality that the consumer is equally well served with the goods of one manufacturer as with those of another and that he gains no advantage in this respect in having some products brought from a distant factory so that he may make a selection among different brands.

Modifications of the freight equalization plan have been used, as the evidence shows, in cases where competition has been encountered from imports of asphalt roofing products from the United States, particularly in areas extending from Windsor, Ont. and in border areas in Manitoba and Saskatchewan. Referring to this practice during his argument, Mr. Forget said: "This was an ingenious way and a perfectly legitimate way of meeting competition from imports." (Transcript, p. 2934). The purpose of the action of giving special freight allowances in areas where the competition of imports was being experienced was to circumscribe or limit the import competition

as far as possible and to prevent such import competition from having any general effect upon prices of asphalt roofing. In this respect the action undoubtedly served to lessen competition in the sale of asphalt roofing products generally and thus played its part in supporting the general practices of the members of the Association directed to the maintenance of uniformity in prices and terms of sale in the distribution of the products of the industry.

Level of Prices of Asphalt Roofing Products. The products of the asphalt roofing industry, it was argued on behalf of the manufacturers, are in active competition with other products, such as wooden shingles and metal which may be used for roofing purposes and this competition, together with that existing within the industry and coming from sources outside Canada has contributed to the maintenance of low prices for asphalt roofing products. Mr. Forget compared the wholesale price index of the Dominion Bureau of Statistics for asphalt shingles in recent years with a number of other series, including the general wholesale price index, consumer price index, the indexes for prices of asphalt, building materials and cedar shingles. Mr. Forget pointed out that the index for asphalt shingles was 149.6 in 1952, compared with 1939, and was the lowest of any commodity price index cited and very much lower than the price index for cedar shingles which was 436.4 for the same year. Mr. Forget also referred to indexes of labour rates and earnings which had increased over 1939 a great deal more than the price index for asphalt shingles. Mr. Forget contended that the comparatively low level of the price index for asphalt shingles disproved completely any allegation that the practices followed by members of the Association were to the detriment of the public. He said:

"To me the figures justify the activities of the group, the Merchandising Plan, the system of open competition and open pricing which they followed."

(Transcript, p. 2763)

The wholesale price indexes of the Dominion Bureau of Statistics for asphalt shingles and cedar shingles are given in an appendix to this report. An examination of the series shows that the prices of the two commodities have seldom moved in similar fashion. From 1929 to 1930, for example, the price of asphalt shingles advanced while the price of cedar shingles declined very markedly. During the depression of the 30's the price of cedar shingles declined to a very low point while the price index of asphalt shingles remained unchanged for three years. During and following the war the index for cedar shingles advanced to a high point of 563.9 in 1950 and then declined. The price index of asphalt shingles continued to advance from 1950 to 1952, although, as indicated by Mr. Forget, remaining at a much lower level in relation to 1939 than has been the case with cedar shingles. It

is obvious that the factors affecting the price of cedar shingles have been of a different nature and intensity than the factors affecting the prices of asphalt shingles. While cedar shingles and asphalt shingles may both be used for roof coverings for some types of buildings, the fact that they are capable of being substituted for each other in certain circumstances does not make the price of one a necessary determinant in the price of the other, as the price indexes clearly show.

In some recent writings in the field of trade practices there has been a tendency to regard competition among producers of rival products as equally effective as competition among producers of the same products. This tendency has been questioned by a substantial body of economists as is indicated in the following extract from an article by Professor Carl Kaysen in the *Harvard Business Review*, May-June, 1954:

"It should not be surprising, therefore, that economists generally take a skeptical view of efforts to equate interindustry competition with competition among sellers of the same product, as is done in the new doctrine. In general, the different products of competing industries are produced at different cost levels. Rivalry among them may limit the extent to which the few producers of one particular product may raise their prices over costs, but the effect of that limitation in pressing prices down to costs is blunted by the existence of cost differences. For instance:

The rivalry between natural and synthetic fibers may force the price of a particular synthetic down to the neighborhood of the long-run cost of producing one of its natural rivals, but it may do nothing to force the price down to the long-run cost of its own manufacture. Only competition among producers of the same synthetic or closely similar synthetics produced under closely similar cost conditions can do that."

The fact that the price of asphalt shingles has not advanced as much in the post-war period as the prices of many other commodities is not peculiar to Canada. A comparison of the changes since 1947 in the price indexes of asphalt shingles, in Canada and the United States shows that the increase in this period was less in the latter country and also some reductions are shown in periods when prices in Canada were increasing or remaining stable. The available price indexes for the United States are based on the years 1947-49 while the Canadian price index has the base 1935-1939 so, in order to simplify presentation, both are shown on the basis of 1947 = 100.0.

Price Indexes of Asphalt Roofing and Strip Shingles
in the United States and of Asphalt
Shingles in Canada,
1947-1954
(1947 = 100)

	<u>United States</u>		<u>Canada</u>
	Asphalt Roofing	Strip Shingles	Asphalt Shingles
1947	100.0	100.0	100.0
1948	109.6	109.7	112.4
1949	109.3	109.5	113.8
1950	107.7	107.3	117.0
1951	111.4	110.5	129.1
1952	109.4	108.5	131.7
1953	114.0	113.3	131.7
1954	110.5	109.6	131.7 ⁽¹⁾

The general level of the price indexes for asphalt roofing products in both countries and the divergencies between them lend weight to the conclusion that it is not possible to rely on comparative price levels as proof of the degree to which competition has remained effective in keeping prices consonant with operations on the most efficient basis. Undoubtedly there have been factors at work in both the United States and Canada which have contributed to smaller increases in the prices of asphalt roofing than have occurred in the case of many other commodities. The mere difference in the price index of a particular article compared with the price level of other articles, even when the extent of the difference is of considerable magnitude, cannot by itself be taken as proof that a lower level of prices would not have resulted under other circumstances.

Government Tenders. One of the provisions of the Merchandising Plan followed by members of the Association set out the rates of discounts to be allowed on purchases by various public or governmental agencies, including departments of the Dominion Government. The result was that if the prices of the manufacturers

(1)

At the beginning of 1955 the D.B.S. index of the price of asphalt shingles declined to 138.1 on the base of 1935-1939 or to 120.9 in comparison with 1947, as in the above table. The price indexes in the United States also declined in the first three months of 1955. In relation to 1947, the index of asphalt roofing declined to 105.2 in March, 1955 and that for strip shingles to 103.7 in the same month.

were uniform and the Merchandising Plan was followed, all purchases by any public or governmental agency would be at the same price from any manufacturer. This would follow whether purchases were made on individual order or by sealed tender. The evidence in the inquiry as to purchases by governmental agencies is confined to tenders made to the Dominion Government or to federal government agencies and particularly in the period from 1950 on. Dealing with the allegation that the practice of the manufacturers resulted in similar tenders to the government, Mr. Forget said:

"Well, that would obviously be the case if the manufacturers followed their own published prices, assuming uniformity of prices at a particular moment, and followed the Merchandising Plan put out by the association in tendering."

(Transcript, p. 3014)

Mr. Forget then went on to discuss actions which were taken when tenders were made, in some instances, on a basis which differed from the Merchandising Plan. He said:

"You will recall first the declaration of Building Products, at least, the decision of Building Products, that if people went along continuing to tender to the government below their published prices and below their published terms of sale without advising them as under the open merchandising policy they would be expected to do, then he would resort to the same thing and do it also. That was the first step."

(Transcript, p. 3014)

In a document of Currie this action is referred to as "Len Long's reading of the 'Riot Act'" (CPL-13-2) and Mr. Long, in a memorandum at the time, wrote:

"What I have done, therefore, is to advise all Eastern manufacturers, without exception, that we are still sticking to our prices as published, but if any important Government award goes at prices below those published by the manufacturers we will automatically withdraw any commitment we have to the rest of the Industry as to publicity of our prices to the Government."

(BPL-9-3)

It seems obvious that the objective of this action was to maintain uniformity of prices in tenders to the government and to prevent independent competitive tendering. The evidence of Mr. Kirlin (p. 1437) was that after this declaration manufacturers tendered

to the government on the basis of their published prices and terms of sale. Subsequently, however, tenders were made by distributors at prices lower than those quoted by manufacturers, and Barrett declared a price level on tenders to the Dominion Government 5% below the base price, and the Merchandising Plan was then changed to include this new rate of discount for sales to the Dominion Government.

A declaration of prices in advance of bidding which is followed by all those quoting, clearly takes away the purpose of inviting sealed bids because no better offers could be expected. In reply to a question whether the practice of open declaration of price did not appear inconsistent with sealed bidding on tenders, Mr. Forget said during the course of his argument:

"No; the open pricing policy means merely that everybody knows where the competitors are and can rely or will be able to rely on the published prices announced by their competitors and their published terms of sale. Now, if there is an invitation to tender the various companies put in a sealed bid. If they follow the open pricing policy they will adhere to their published prices and to their published terms of sale. Therefore, they will come up with a bid that will be X, if they do that, and if you assume the prices at this particular moment are equal, and the terms of sale are the same you will have as a result similar tenders to the government sealed without any consulting between the manufacturers whatsoever."

(Transcript, p. 3016)

It was contended, on behalf of the manufacturers, that an individual company would be free, without prior announcement, to quote outside its published list on a particular contract but would be expected to declare its price if it established a new general basis. It is impossible, in the opinion of the Commission, to reconcile such an interpretation with the practice actually followed by members of the Association. Each invitation to tender, particularly on large contracts, is issued in the expectation that there will be independent consideration of the particular circumstances relating to the contract so that if there was independent decision by the manufacturer there would be an exception in each case but the objective of the practice of the manufacturers was the avoidance of bidding other than on the general price basis accepted under the Merchandising Plan.

The action of Barrett in reducing prices by 5% was in response to competitive bidding but the competition did not arise through the practice followed by members of the Association but, apparently, through the action of some distributors who did not adhere to the Merchandising Plan.

In further argument in regard to the practice of the manufacturers with respect to government tenders, Mr. Forget suggested that Barrett's action in declaring a price 5% below base had established a price level which no other manufacturer could afford to go below "because the price was so low it took all the profit from the transaction" (Transcript, p. 3026). This would assume that all contracts for asphalt roofing on government tenders involve the same circumstances for all manufacturers at all times. This is clearly not the case. An invitation to tender might be issued at a time when one manufacturer was over-stocked with the particular goods required, or when there was a slack period in operations, so that an order of some magnitude might be profitably taken at a substantial reduction in price. We have already seen that the base price for asphalt shingles includes an amount for freight equalization. If a particular tender required delivery at a location in favourable relationship to the manufacturer's shipping point it might be worthwhile for him to tender at a price more directly related to his factory cost. It is in evidence that prior to Newfoundland becoming a province of Canada some manufacturers made sales to Newfoundland at prices substantially lower than those prevailing in the domestic market. It was argued and evidence was cited to show that manufacturers sold in Newfoundland on a marginal basis, considering that it was worthwhile to do so because of the added volume which was secured. Similar considerations might well apply in the case of substantial contracts for which tenders were called. There is also evidence that some manufacturers make purchases of some lines in some areas from other manufacturers. Here, again, manufacturers presumably find it profitable to make sales of products at less than their base prices.

The Commission does not consider that the evidence supports the contention made on behalf of the manufacturers that the practices of the members of the Association result in the government getting "the lowest possible price" (Transcript, p. 3021) in making purchases of asphalt roofing products. The effect of the practices appears to the Commission to be the maintenance of prices generally at a higher level than would otherwise prevail and the defeat of the purpose for which sealed bids are invited.

The foregoing review and analysis of the effects of the practices and arrangements disclosed by the evidence is not intended to embrace every consequence which might be traced. The aspects which have been examined in this chapter form the principal features which, it was submitted in argument, showed a lack of detriment to the

public or which, it was contended, were to the public advantage. The conclusion of the Commission is that the effects of the practices and arrangements have been and are likely to be to the detriment and against the interest of the public.

CHAPTER X

CONCLUSIONS

The Commission, having appraised the effect on the public interest of the arrangements and practices among members of the Asphalt Roofing Manufacturers' Association, as disclosed in the inquiry, is of the opinion that the arrangements and practices have operated and are likely to operate to the detriment and against the interest of the public. The general effect of the arrangements and practices, as shown by the evidence, is to deprive the public of the benefit and safeguard of active price competition in the sale of asphalt roofing and related products and thus produce consequences which, as has been shown, are clearly detrimental to the public.

It was argued, in defence of the arrangements and practices among members of the Asphalt Roofing Manufacturers' Association, that they were intended to prevent abuses in the sale and distribution of products of the asphalt roofing industry and that they did not prevent or lessen competition in any way detrimental to the public. We have already expressed our opinion that the public interest has been detrimentally affected by the arrangements and practices which the evidence in the inquiry discloses. We have also indicated that in the Commission's view some of the situations which, it was contended, the common policies of members were intended to combat were made potentially more significant by the arrangements designed to maintain uniformity of prices regardless of the particular circumstances of individual manufacturers in relation to the purchases or prospective purchases of individual customers.

In pursuing the arrangements and practices the members of the Association had always in view the objective of maintaining a system which would result in a customer buying in any stated quantity at one time or over a period of time having exactly the same laid down cost regardless of which manufacturer supplied the goods or from which point or by what means they were shipped. Intensive efforts were taken to ensure that terms and conditions of sale, which were covered in all possible aspects in the Merchandising Plan, remained the same for all manufacturers at all times and that transportation charges, which were also embraced in the Merchandising Plan and elaborated in the Freight Plan, likewise remained uniform. Changes in these arrangements, as the evidence shows, were not made until after discussions among the members of the Association had resulted in the modifications being accepted by all. Changes in list prices were usually not made in the same formal way, although the general practice appears to have

been to have prior discussion of any change in price so that members would be assured that when a new price was put into effect it would not be upset by independent action by another manufacturer. Once a change had been made members were able to rely on no further change being made without announcement being given, generally in advance and generally with opportunity for further discussion. The effect of the arrangements and practices was to substitute for the competition of the market place, discussion and negotiation among manufacturers who all had a common objective of maintaining their operations at the most profitable level.

There was no evidence that the costs of the various manufacturers were the same and, in fact, there was evidence that the costs of manufacturers in supplying particular market areas differed greatly because of plant locations. In addition, factory costs, because of scale of production or for other reasons, appear to have been different. One witness, F. Bromley of Johns-Manville, said "costs of manufacture vary quite considerably" (Transcript, p. 1711).

Counsel for the manufacturers pointed out that from an early period the members of the Association have been aware of legal aspects of its activities and took steps to guard against activities which might be questioned under legislation relating to restraint of trade. Since 1947 the Association had sought advice from counsel who attended all meetings.

While it may be accepted that members of the Association were anxious to avoid activities which might be considered illegal, the duty of the Commission is to appraise the effect on the public interest of arrangements and practices in which the members engaged. These we have found to be detrimental to the public. In view of the effects produced by their joint activities it must be considered that the members of the Association became more concerned about the manner in which record was kept of the Association's activities and not sufficiently concerned about the effect on the public interest of the maintenance of uniform prices and conditions of sale. Support for this view is found in the change in the nature of the minutes of Association meetings in later years compared with earlier periods. It will be recalled that the minutes for a number of years contained references to the nature of the discussions which led up to the Merchandising Plan for each year or to changes in it during the course of the year. Although such discussions were carried on in later years, generally no mention of them is contained in the minutes. One explanation given was that as a Merchandising Plan was distributed by the Association there was no need to record the discussions which led up to that Plan. The same circumstances, of course, existed in earlier years but then the minutes recorded the various proposals put forward, the discussion of them and the compromises which were necessary to secure a Plan accepted by all.

The policy of "open pricing" or "open merchandising" which, it was contended on behalf of the manufacturers, was all that the activities of the Asphalt Roofing Manufacturers' Association amounted to, would be embraced by what are referred to in economic and trade literature as open price associations. This designation appears to have originated in the United States where the notion of an open price system was developed by A. J. Eddy, a Chicago Lawyer. The concept became widely known through his book published shortly after the close of the First World War.⁽¹⁾ The possible danger to the public interest in such associations, if they interfered with the competitive determination of prices, was early recognized. An authoritative study made by Milton N. Nelson and published by the University of Illinois in 1922 contains the following conclusion:

"The chief danger of jeopardizing the public interest comes when an open price association enjoys a controlling influence in the industry with which it is identified. It is under such a circumstance that attempts to enhance prices directly, or indirectly through curtailment of production, carry the best prospects for successful accomplishment. Success or failure in enhancing prices probably would depend mainly upon the effectiveness of the restraining influence exerted by potential and indirect competition. It is conceivable that a considerable margin of increased profit might be secured, if not permanently, at least for extended periods of time, before new capital would be attracted into the industry or a resort made to the use of substitutes. These enhanced prices might ensue solely as the result of the advantage enjoyed by members over buyers in the way of superior knowledge of market conditions, no resort to collusion being made; however, the temptation to pool knowledge in such a way as to accomplish price enhancement by means of collusion would be exceedingly strong, as is admitted by the staunchest defenders of the open price plan, the inducement being especially great by reason of the fact that members would be aware of their controlling influence in the industry."⁽²⁾

The arrangements and practices among members of the Asphalt Roofing Manufacturers' Association went far beyond the mere public announcement of prices and conditions of sale by individual manufacturers. They had the effect, through discussion and understanding, of maintaining, in all important respects, identical prices and terms and conditions of sale on the part of all manufacturers. This

(1) A. J. Eddy, *The New Competition*, (Chicago, 1920)

(2) Milton N. Nelson, *Open Prices Associations*, p. 199, (University of Illinois Studies in the Social Services, Vol. X. No. 2. June, 1922).

result was not brought about by the operation of a free market. The evidence makes this abundantly clear. By way of illustration only, reference may be made to Exhibit CPL-36-2 in which a representative of Currie writing about a meeting and the discussion of price reduction during a winter season said "It will be veto'd by the others". Again, Exhibit PCM-8-1-2 states that "J. M. agrees to yield to majority", in making an advance in price by way of reduction in the amount of freight absorption. Referring to this exhibit Mr. Forget said:

"Obviously they were persuaded to do that, but again I see nothing wrong with that. It certainly is not pressure by any threats, intimidation or any illegal means, It is merely the power of persuasion that is being applied."

(Transcript, p. 2895)

The Commission cannot agree that the establishment of prices in this manner accords with the interest of the public in being able to deal in a free market. The actions of manufacturers, in such circumstances are not made in response to competition in the market but are the outcome of discussion and negotiations among those on one side of the market, namely the sellers. The process is pictured in the following portion of the testimony of A. B. Wynne of Building Products:

"I think, for example, had we been the high man on a certain statement of policy and someone else took a diametrically opposite view we would do our best to convince the low man that we were right and not he."

(Transcript, p. 701)

No other conclusion can be reached but that the manufacturers found that such efforts at persuasion and negotiations were effective in gaining results more acceptable to all than would have been the case if there had been entirely independent action. It is not conceivable that meetings would have continued to be held over such an extended period of years and at sessions which sometimes lasted for days and sometimes were adjourned and then resumed, if the participants had not found that a compromise and an arrangement accepted by all was not secured thereby.

The manner in which members of the Association attempted to secure adjustments or changes in pricing policy also indicates how far the practices and arrangements affected the operation of a free market. At a time when Sidney was making certain freight allowances to customers in Calgary and Edmonton, other manufacturers expressed fear that similar price reductions would spread to other points. The following is contained in a Sidney memorandum describing the discussion:

"Great pressure was brought to bear upon Sidney to discontinue freight allowances to Calgary and Edmonton. Building Products at first announced that should these freight allowances continue, they would be forced to grant them in Lethbridge, but later went along on the basis that due notice would be given before Lethbridge allowances were set up."

(SRP-1-7)

This indicates an attempt to secure a change in policy by indicating that if a satisfactory adjustment was not made, action of a retaliatory nature would be taken in another quarter. This is not the normal response to competition in a free market and is clearly an attempt to secure conformity to an accepted policy under threat of penalty. Similarly, when asphalt shingles were shipped by two Eastern manufacturers to British Columbia at what was regarded as less than the price which should have applied under the Merchandising Plan, the response of Sidney was not that this was competition which it would have to meet in the British Columbia market, but that if the sales on the lower basis did not stop, Sidney, on its part, might begin making sales of shingles in Eastern markets. This was not a meeting of competition in the normal sense, but a threat of retaliation in an effort to suppress a particular form of competition.

Building Products took an active part in securing the reduction in the rates of quantity rebates in British Columbia. Mr. H. E. Pringle, of Building Products reported at one stage that he had been "working on the Coast Manufacturers and other companies to get quantity rebates . . . reduced or eliminated" (BPL-83-1). In a contemporary Sidney document it was reported that "Building Products have served notice that unless shingle rebates are radically reduced in District #4, they will immediately put shingle rebates into effect in District #3 (SRP-18-2). The letter goes on to refer to Building Products having "held the gun" to Barrett's head and to the latter company now being prepared to reduce the scale of rebates. Here, again, the indication is one of the threat of retaliatory action to secure an adjustment in policy. A significant reflection on the determination of prices by such means is given in a later letter of H. E. Pringle of Building Products to the head office of the company in which he stated that Sidney had made considerable concessions in regard to quantity rebates and certain paper products and recommended that something be done in return in connection with a request by Sidney for an increase in price of a certain class of sheathing (BPL-82-3)

The independent decision of the Carey Company in 1950 to establish Moncton as an f.o.b. point in selling to a large merchandising organization was reversed by the threat of retaliatory action. In a letter giving the reason for reverting to the conditions of the

Merchandising Plan, an official of Carey wrote:

" . . .

So intensive is the pressure being brought to bear that we are faced with a number of points in the Moncton area which are about to be established as f.o.b. points."

(PCC-13-3)

It will be recalled that when some competitive tenders on government contracts were made in 1951, the action taken by Building Products was to advise other manufacturers as follows:

" . . .

. . . we are still sticking to our prices as published, but if any important Government award goes at prices below those published by the manufacturers we will automatically withdraw any commitment we have to the rest of the Industry as to publicity of our prices to the Government. . . ."

(BPL-9-3)

The same pattern of attempt by persuasion or threat to secure conformity to a common policy is apparent in this instance. It is, of course, in evidence that while, after the notice given by Building Products the manufacturers stayed in line in making quotations to the government, some distributors submitted competitive tenders and the Barrett Company then announced an additional discount of 5% on all government tenders. The purpose of this action, as shown by the earlier review of the evidence, was to establish a new common basis for uniform pricing which was unlikely to be undercut by distributors.

It was argued on behalf of the manufacturers that in the case of some actions or arrangements the matters affected were not of a significant character and therefore no effects of any consequence could be taken as resulting from the common policy in such circumstances. It is obvious from the evidence that the practices and arrangements on the part of members of the Association affected matters of major importance to the public. The fact that the practices and arrangements came to bear on what were considered by the industry to be points of small importance serves to emphasize their comprehensiveness. An illustration of this was the action taken in 1951 to make a common charge for the containers in which certain products were shipped. One company apparently thought that there should be a reduction in the price of the contents but no such change was made. In a reference to this incident during his argument Mr. Forget said:

"According to BAP 44-2 Brantford Roofing felt that if they did that they should reduce the price of the contents by four cents a gallon. The others felt that it would not be worth a new price list, considering of course that the reduction was so insignificant that it would not be worth the printing cost. At any rate it appears that the reduction was not made."

(Transcript, p. 2703)

It may be noted, in passing, that a 4¢ per gallon reduction on a quantity of 45 gallons, for example, would amount to \$1.80. However, such an interpretation overlooks the significance of even minor changes in price in a competitive economy. This point was emphasized in an editorial in the Financial Post of April 16, 1955, in which the following statement was made:

". . . Any businessman knows that it's the last 1% or 1/2% or even tenth of one per cent of markup that can turn a loss into a profit. Any consumer knows that it's the last penny off a price that makes a bargain. Our whole system of mass production and mass consumption is based on the effect of small changes at the margin."

The practices and arrangements among the asphalt roofing manufacturers operated to prevent changes at the margin which were not accepted by all members. They thus operated to prevent variety and variability in pricing practices, the desirability of which in the development of a climate of "workable" competition has been mentioned in the recent report of the Attorney General's National Committee to Study the Antitrust Laws in the United States.

The evidence shows that the practices and arrangements among members of the Asphalt Roofing Manufacturers' Association were developed as common policies long before the outbreak of World War II and were maintained in full effect throughout the years, apart from the period of wartime controls. In the post-war period apart from the withdrawal of Canadian Gypsum in 1949 from the Association's reporting arrangements for rebates, while continuing as a member in all other respects, and its resignation from the Association while the inquiry was proceeding, the common pattern in the industry with respect to pricing policies and terms and conditions of sale and related matters continued without serious disturbance. To permit the public to be relieved of the detrimental effects which the Commission has found to result from the practices and arrangements among members of the Association, and to secure the benefits of a competitive market in the distribution and sale of asphalt roofing products, will require the adoption of a policy of independent decision on the part of each manufacturer as to prices, terms and conditions of sale and other aspects

of merchandising which enter into the price or cost of goods to the purchaser, in the place of the system of meetings, discussions, negotiations, compromises, persuasion and threats by which a common pattern of merchandising has been maintained for so long in the industry.

In view of the fact that the pattern of co-operative conduct of industrial arrangements has been so long established there can be no assurance that the maintenance of arrangements with the same objectives would not continue to be sought, perhaps by the use of other means, unless the parties who have been concerned are placed under a judicial order barring practices and arrangements likely to have the effects disclosed by the evidence in this case. In our view, proceedings should be taken, as provided in the Combines Investigation Act, to seek a judicial restraining order which would forbid those practices and arrangements which have been so effective in maintaining a uniform price structure in the asphalt roofing industry, or other practices and arrangements among the manufacturers which would produce or be likely to produce the same result. We are of the opinion that the manufacturers should be enjoined from meeting with each other for the purpose of discussing, arranging, accepting, or reaching an understanding on prices, terms and conditions of sale, transportation charges, discounts, rebates, classes of customers or any other factors or elements relating to or affecting the price of asphalt roofing and related products. The restraining order should be broad enough to embrace the exchange of information which could be made use of to secure and maintain a common price structure and cost of transportation. It should include the officers, officials and employees of each manufacturer.

(SGD.) C. R. SMITH
Chairman

(SGD.) A. S. WHITELEY
Member

Ottawa,
August 29, 1955.

APPENDIX A

LIST OF ROOFING MANUFACTURERS, PLANT AND WAREHOUSE LOCATIONS

	<u>Head Office</u>	<u>Plants</u>	<u>Warehouses</u>
The Barrett Co. Ltd.	Montreal, Que.	Joliette, Que. - Felt Montreal, Que. - Conversion & Pitch Toronto, Ont. - Conversion & Pitch Winnipeg, Man. - Conversion & Pitch Vancouver, B.C. - Conversion & Pitch	Montreal Toronto Winnipeg Vancouver
Bishop Asphalt Papers Ltd.	Portneuf Stn. Que.	Portneuf Stn. - Felt & Conversion London, Ont. - Conversion	Portneuf Stn. London Toronto Montreal
Brantford Roofing Co. Ltd.	Brantford, Ont.	Brantford, Ont. - Conversion Thorold, Ont. - Felt	Brantford Montreal Toronto Winnipeg
Brantford Roofing (Maritimes) Ltd.	Saint John, N.B.	Saint John, N.B. - Conversion	Saint John

APPENDIX A - continued

Head Office	Plants	Warehouses
Building Products Ltd.	Ville La Salle, Que.	Ville La Salle Toronto Hamilton Winnipeg Edmonton Saint John
	Ville La Salle, Que. - Felt & Conversion Pont Rouge, Que. - Felt Hamilton, Ont. - Conversion Winnipeg, Man. - Felt & Conversion Edmonton, Alta. - Conversion Havelock, Ont. - Granule Crushing and coloring	
Canada Roof Products Ltd.	Vancouver, B.C.	Vancouver
Canadian Gypsum Co. Ltd. (Roofing Division)	Toronto, Ont.	Montreal Toronto
Canadian Johns-Manville Co. Ltd.	Toronto, Ont.	Saint John Asbestos Toronto Winnipeg Vancouver
The Philip Carey Co. Ltd.	Lennoxville, Que.	Lennoxville Montreal Hamilton

APPENDIX A - continued

	<u>Head Office</u>	<u>Plants</u>	<u>Warehouses</u>
Currie Products Limited	Hamilton, Ont.	Hamilton, Ont. - Conversion & Pitch Ottawa, Ont. - Pitch	Hamilton Ottawa Montreal Toronto
Dominion Tar & Chemical Co. Limited	Montreal, Que.	Sydney, N.S. - Pitch Montreal, Que. - Conversion & Pitch Toronto, Ont. - Conversion & Pitch Winnipeg, Man. - Conversion & Pitch Vancouver, B.C. - Conversion & Pitch	
Alexander Murray & Co. Limited	Montreal, Que.	See Dominion Tar & Chemical re plants.	Saint John, N.B. Montreal Toronto Winnipeg Vancouver
Sidney Roofing & Paper Co. Limited	Victoria, B.C.	Victoria, B.C. - Felt & Conversion Lloydminster, Sask.[Alta] - Conversion	Victoria Vancouver Lloydminster Winnipeg

APPENDIX B

List of Firms Classified by the Dominion Bureau of Statistics in The Roofing Paper Industry and Index of Products

<u>Name</u>	<u>Products</u>
Armstrong Cork Canada, Ltd.	14, 15, 16
Barrett Company, Ltd.	1, 2, 3, 4, 5, 6, 7, 11, 16
Bishop Asphalt Papers, Ltd.	1, 2, 3, 4, 5, 7
Brantford Roofing Co., Ltd.	1, 2, 3, 4, 5, 7, 8, 16
Brantford Roofing (Maritimes), Ltd.	1, 2, 3, 5, 7, 11, 13
Building Products, Ltd.	1, 2, 3, 4, 5, 6, 7, 8, 10, 12, 14, 16
Calgary Asphalt Products	6
Canada Paper Company	6
Canadian Gypsum Co., Ltd.	1, 2, 3, 4, 7, 10, 13
Canadian Johns-Manville Co. Ltd.	1, 2, 3, 4, 5, 7, 10, 11, 12, 16
Carey, The Philip, Co., Ltd.	1, 2, 3, 4, 5, 7, 8, 16
Currie Products, Ltd.	5, 7
Dominion Tar & Chemical Co., Ltd.	1, 2, 3, 5, 6, 7, 9, 10, 11, 12, 14, 16
Kola Roofing Co., Ltd.	6
Marmac Oil Co., Ltd.	6, 7
Sidney Roofing & Paper Co., Ltd.	1, 2, 3, 5, 6, 7, 10, 11, 12, 16

Key to Products

1. Asphalt saturated rag and asbestos felt shingles and shingle type sidings.
2. Smooth surfaced rag and asbestos roll roofings.
3. Mineral surfaced rag and asbestos felt roll roofings.
4. Roll type rag and asbestos felt sidings.
5. Tar and asphalt saturated rag and asbestos felts, not coated.
6. Kraft base tar and asphalt saturated and coated sheathings.
7. Non kraft base tar and asphalt saturated and coated sheathings.
8. Insulated siding.
9. Asphalt compound.
10. Other plastic roof coatings.
11. Roof cements.
12. Roofing paints.
13. Other liquid roof coatings.
14. Asphalt floor tiles.
15. Crown bottle caps and other closures and corks.
16. Other products.

Source: Dominion Bureau of Statistics,
The Roofing Paper Industry,
1950

APPENDIX C - STATISTICAL TABLES

Table 1. - Production of Principal Products in Asphalt Roofing Industry, 1930-1954

Year	Asphalt Shingles		Total		Smooth Surfaced Roofing		Mineral Surfaced Roofing		Siding		Total Mineral Surfaced & Sidings		Tar & Asphalt		Non-Kraft		Total	
	Squares		(3)		(4)		(5)		(6)		(7)		(8)		(9)		(10)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1930	399,245			(-----)	combined 1,660,595	-----	266,307	10,780	combined 14,605	---								
1931	376,672			768,361	209,265	57,042	266,307	10,780										6,509
1932	246,537			570,174	213,006	34,320	247,326	7,067										5,402
1933	221,884			742,244	234,202	31,418	265,620	7,016										5,796
1934	260,522			770,114	220,063	46,502	266,565	12,616										6,113
1935	256,311			693,844	173,206	39,913	213,119	10,833										6,078
1936	368,672			801,215	226,678	33,331	260,009	12,535										8,207
1937	497,268			906,445	318,149	35,186	353,335	16,542										8,870
1938	441,573			776,650	316,675	30,229	346,904	12,561										8,906
1939	493,833			973,786	355,681	30,284	385,965	16,303										11,044
1940	553,657			1,357,174	433,076	59,581	492,657	22,133										13,138
1941	749,913			1,103,135	673,771	34,085	707,856	28,267										13,390
1942	669,428			1,058,352	897,923	20,496	918,419	27,527										13,441
1943	860,096			1,079,520	1,018,460	1,880	1,020,340	23,918										12,660
1944	1,089,116			1,208,506	1,019,001	17,502	1,036,503	25,003										11,464
1945	1,433,032			1,227,103	1,160,550		1,160,550	29,419										13,667

APPENDIX C (continued)

	<u>210 lb.</u>	<u>Other</u>							
1946	1,355,499	627,085	1,982,584	1,569,088	1,461,030	38,119	7,070	7,170	14,240
1947	1,433,724	651,866	2,085,590	1,684,346	1,728,013	46,715	5,099	6,138	11,237
1948	1,400,637	643,194	2,043,831	1,153,043	1,305,447	45,405	6,418	10,654	17,072
	<u>210 lbs.</u>	<u>Less</u>							
	<u>and</u>	<u>than</u>							
	<u>over</u>	<u>210 lbs.</u>							
1949	1,551,828	558,567	2,110,395	1,118,834	879,055	39,853	5,361	9,248	14,609
1950	1,763,282	668,336	2,431,618	1,196,645	891,428	48,458	5,397	11,511	16,908
1951	1,532,453	651,575	2,184,028	1,210,631	921,757	48,763	5,132	10,811	15,943
1952	1,576,753	536,566	2,113,319	1,016,315	803,267	46,573	4,093	9,580	13,673
1953	2,005,480	572,842	2,578,322	1,070,415	860,767	46,254	4,796	12,472	17,268
1954	2,126,442	592,264	2,718,706	1,039,519	822,442	47,279	3,069	13,151	16,220

Source: Dominion Bureau of Statistics -
Asphalt Roofing, monthly reports.

Table 2. - Quantity and Value of Products⁽¹⁾

		1944	1945	1946	1947
Asphalt saturated rag and asbestos felt shingles and shingle type sidings	sq. \$	1,106,618 5,598,935	1,411,588 7,267,139	1,982,327 10,828,894	2,074,344 12,072,379
Smooth surfaced rag and asbestos felt roll roofings	sq. \$	1,208,506 1,937,145	1,215,209 1,796,843	1,567,059 2,670,327	1,626,639 3,061,309
Mineral surfaced rag and asbestos felt roll roofings	sq. \$	1,019,001 2,504,912	1,194,198 3,023,442	1,450,734 3,820,828	1,684,282 4,824,706
Roll type rag and asbestos felt sidings	sq. \$				
Tar and asphalt saturated rag and asbestos felts, not coated	tons \$	25,003 1,571,484	29,466 1,774,305	38,760 2,423,022	46,115 3,368,648
Tar and asphalt coated and saturated sheathings	tons \$	11,464 774,816	13,042 884,189	14,461 1,132,017	13,142 1,315,798
Asphalt compound and other plastic roof coatings	tons \$	566 86,440	754 113,398	924 160,407	1,436 190,519
Roof cements	tons \$			180 20,690	208 28,876
Roofing paints	gallons \$	259,339 196,182	233,330 180,482	290,498 248,013	370,254 324,010
Other liquid roof coatings	gallons \$	54,306 52,124	112,555 71,219	131,866 81,987	34,349 28,939
All other products (includes Asphalt floor tiles, insulated siding, "Crown" bottle caps and other closures and corks, etc.)	\$	1,081,703	1,233,472	1,404,949	2,190,132
		\$13,803,741	\$16,344,489	\$22,785,134	\$27,405,316

(1) "Value of factory shipments" has been substituted for "Gross Value of Products" since 1952.

in Roofing Paper Industry, 1944-1953

1948	1949	1950	1951	1952	1953
2,040,304	2,136,501	2,423,780	2,186,097	2,187,605	2,573,060
13,127,134	14,152,158	16,603,712	16,142,256	16,414,592	18,691,596
1,168,470	1,106,387	1,165,726	1,237,756	1,062,106	1,057,893
2,571,178	2,389,461	2,677,145	3,051,542	2,587,174	2,425,616
1,324,667	890,723	919,892	919,062	826,116	883,820
4,338,604	2,857,327	3,070,472	3,524,240	3,136,388	3,228,562
	389,400	365,556	323,119	319,328	302,497
	1,419,131	1,509,555	1,504,050	1,550,300	1,420,848
45,298	39,949	48,425	49,509	48,535	46,280
3,928,773	3,338,201	4,320,845	5,082,124	5,055,161	4,581,490
17,629	14,270	15,640	16,113	15,684	14,181
2,172,313	1,687,662	2,099,975	2,258,249	2,371,933	1,998,320
1,442	953	1,580	1,600	1,278	1,404
269,267	197,185	289,498	414,290	258,442	235,856
227	372	411	413	554	1,277
29,908	46,188	57,267	63,892	96,367	265,098
392,945	297,369	280,848	244,457	334,829	367,489
368,474	330,014	330,479	294,404	314,073	268,811
65,884	52,680	48,424	50,862	57,825	72,215
45,761	28,827	28,976	38,571	54,595	58,976
5,465,864	9,913,731	10,400,790	9,505,588	9,974,713	9,598,804
\$32,317,276	\$36,359,885	\$41,358,714	\$41,879,206	\$41,813,738	\$42,773,977

Source: Dominion Bureau of Statistics -
The Roofing Paper Industry annual
reports.

Table 3. - WHOLESALE PRICE INDEXES OF ASPHALT SHINGLES
AND WESTERN CEDAR SHINGLES (DOMESTIC),
1929-1954

(1935 - 1939 = 100)

	Asphalt Shingles	Cedar Shingles, domestic
1929	104.1	123.0
1930	109.4	85.4
1931	104.4	70.3
1932	103.2	70.4
1933	98.8	86.6
1934	98.8	66.0
1935	98.8	79.7
1936	99.6	97.1
1937	100.5	106.6
1938	100.5	97.9
1939	100.5	117.0
1940	105.0	129.7
1941	108.9	152.4
1942	108.9	172.5
1943	108.9	200.6
1944	108.9	226.0
1945	107.7	228.2
1946	111.7	260.8
1947	114.2	361.7
1948	128.3	436.4
1949	129.9	387.1
1950	133.6	563.9
1951	147.4	514.6
1952	150.4	427.3
1953	150.4	436.4
1954	150.4	487.6

Source: Dominion Bureau of Statistics

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